

OVERSEAS NEWS

S. Africa says it is ready for sanctions

THE South African Government appears to believe that international sanctions are inevitable. Recent remarks by Mr Pik Botha, the Foreign Minister, indicate that the Government may no longer even consider them an issue.

Buthelezi attacks ANC strategy

THE SPLIT in black politics between the African National Congress (ANC) in exile and the Zulu-dominated Inkatha was underlined over the weekend at the Inkatha annual conference in the KwaZulu homeland capital of Ulundi.

Mitterrand to stress French independence on Soviet trip

PRESIDENT MITTERRAND, who returned from the US on Friday, flies to Moscow today for a four-day visit to the Soviet Union.

European Commission steps up fight against air fares collusion

THE EUROPEAN Commission is this week poised to fire off letters to Europe's major airlines urging them to end their long-standing collusion on air fares and capacity sharing, writes Jim Dickson in Brussels.

Chinese devalue currency by 15.8%

The Chinese Government has met the expectations of diplomats and foreign bankers by devaluing the Chinese currency, the renminbi yuan, by 15.8 per cent in an attempt to improve the country's poor trade performance.

High Japanese poll turnout may help Nakasone

Japanese voters went to the polls yesterday in record numbers, which may help Prime Minister Yasuhiro Nakasone's conservative ruling party solidify its control of the diet (parliament), AP reports from Tokyo.

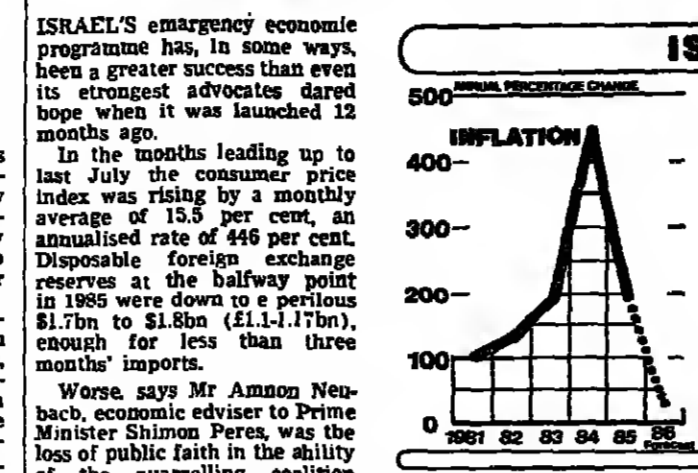
US car makers increase sales

SALES IN the US of domestically produced cars rose faster than the sales of imports in June for the first time in many months. The figures indicate that attractive domestic car sales incentives and the impact of higher prices for imported cars are starting to stem the steadily growing penetration of US car imports in the world's largest car market.

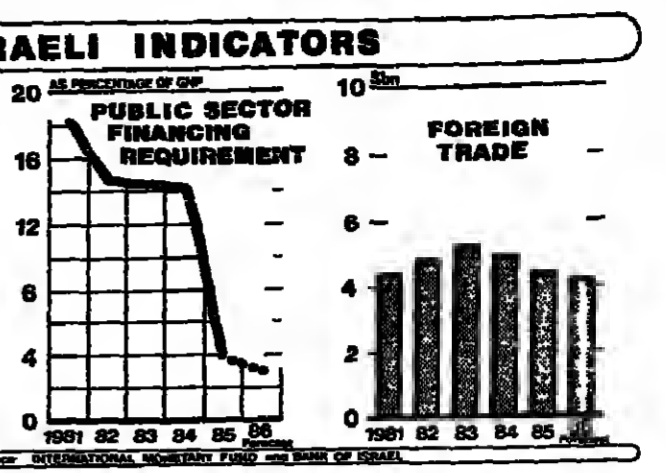
Mulroney starts Quebec talks

CANADA'S Prime Minister Mr Brian Mulroney has taken an important step towards repairing relations between English speaking Canada and the predominantly Francophone province of Quebec by formally opening negotiations for Quebec to sign the federal constitution.

Austerity has had a limited success, Andrew Whitley reports from Tel Aviv Israeli economy healthier but not cured



ISRAEL'S emergency economic programme has, in some ways, been a greater success than even its strongest advocates dared hope when it was launched 12 months ago.



Since then the index has stabilised at between 1 and 1.5 per cent, putting Israel on course for a 1986 full-year figure of 21.4 per cent—its best for over a decade.

The official forecast for gross national product growth this year is 2.5 to 3 per cent, slightly up on the 1.9 per cent recorded in 1985, but still depressingly flat in per capita terms.

Mexico ruling party accused of poll fraud

MEXICO'S right-wing opposition and two broad-based "clean vote" movements yesterday denounced alleged Government attempts to rig state and municipal elections in the huge northern state of Chihuahua, even as voters started queuing to cast their ballots.

Syrians extend control over W. Beirut

CRACK SYRIAN special forces extended their control over West Beirut yesterday as part of a week-old security plan aimed at pacifying Moslem areas.

US car makers increase sales

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Sikh party split deepens Punjab power struggle

THE TROUBLED Indian state of Punjab was threatened with further political instability over the weekend as the ruling Akali Party split irrevocably, leading to an open struggle for power between rival factions.

Mulroney starts Quebec talks

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WORLD TRADE NEWS

Battle looms for Argentine port contract

BY TIM COOME IN BUENOS AIRES

A LUCRATIVE \$300m (€151m) deal to dredge Argentina's principal grain port at Bahía Blanca is the subject of intensive last minute bargaining between the Argentine Government and competing foreign contractors.

A Soviet company, Technostroyexport, recently managed to obtain Argentinean installation of a "memorandum of intention" for the work but rival bids are now also being considered from Japanese and Dutch contractors according to Argentine engineers involved in the project.

The work involves the dredging of the harbour area and a 100 km long access canal which will allow bulk carriers of up to 60,700 tons to enter at all states of the tide — potentially doubling the

port's capacity. Work on the project is expected to take almost three years until completion.

Bahía Blanca is located at the heart of Argentina's wheat-growing Pampas zone, and is an important port not only for the export of wheat but also of sunflower seeds, maize and soya beans.

According to economic specialists at Argentina's national grain board dredging the port will permit a substantial reduction in port charges by increasing throughput and make Argentinean grains increasingly competitive on the international market.

The port's difficulties at present stem from the relative shallowness of the long approach to Bahía Blanca, the lack of manoeuvring and anchorage space in the port

area and through the access canal having a depth of only 38 feet at low tide. Large grain ships can therefore only enter and leave on favourable tides.

The project envisages deepening the access canal to 45 feet involving the removal of an estimated 36m cubic metres of sand and consolidated materials from the sea bed.

Local dredging companies complain they were not invited to tender for the contract and were told that all negotiations were being dealt with at a government-to-government level between Argentina and the Soviet Union.

Negotiations with the Soviet Union are at an advanced stage but according to the Soviet Embassy in Buenos Aires, the lack of Japanese investment in Argentina reached over the final price tag and financing of the project. The Soviet Union has offered financing over a ten year period at a 6 per cent interest rate and is apparently prepared to accept payment in grains.

Negotiations have been further complicated however by the resignation on Thursday of Argentina's Minister of Public Works and Services who would be ultimately responsible for the execution of the project. The new minister is reported to have closer political ties to President Raúl Alfonsín, but it remains to be seen whether this will have any influence on the outcome of the tendering for the Bahía Blanca project.

An official visit by President Alfonsín to Japan later this month, aimed at promoting Japanese investment in Argentina, has raised speculation that the Soviet bid may yet fall through.

The Soviet Union is especially anxious to win the contract, in order to reduce its large trade deficit with Argentina. Moscow plans to import 4.5m tons of maize and soya beans per year from Argentina over the next five years under a trade agreement signed in January. At present market prices this is worth some \$400m.

Argentinian imports from the Soviet Union however are still less than \$100m per year and well below Soviet expectations. The Soviet Union remains the most important market for Argentinian grains but a steady decline in Soviet purchases over the past four years has begun to worry Argentine grain farmers and traders.

SHIPPING REPORT Tanker recovery may be short-lived

By Andrew Fisher, Shipping Correspondent

TANKER RATES stayed firm last week but the market was given a strong warning that the marked improvement of recent months could be short-lived.

Fearnleys, the Norwegian shipbroking firm, said that some words of caution were necessary to prevent the market, which has recently been stimulated by lower oil prices, from becoming overheated.

With a number of short-term fixtures from the Gulf providing owners with a return of up to \$2m per voyage above operating expenses, some buyers were now willing to pay more than twice as much for a VLCC (very large crude carrier) as the second-hand values of only a month ago.

"It seems appropriate to pour some cold water over the most anxious buyers," Fearnleys commented sternly. "There is still a considerable surplus of VLCC tonnage and sales for scrapings of such vessels are insignificant."

The actual VLCC and ULCC (ultra large) surplus — the former are ships of 200,000 deadweight tons and over, with ULCCs exceeding 300,000 dwt — was at least 30m dwt.

Thus, the market still needed a considerable increase in the present volume of oil movements by sea to eliminate this surplus. Fearnleys said that it did not, however, foresee such a large growth in demand.

Also, with lower oil prices causing oil companies and other buyers to fill up their storage facilities during the present rise in the market, a reduction in demand could occur soon.

Current levels of about Worldscale 45 for VLCCs from the Gulf to the West compare with Worldscale 22 a year ago.

But the picture in the long-depressed dry cargo market remains a sorry one. Denholm Coates, the London shipbroker, reported that the grain rate from the US Gulf to Japan was \$8.20 a ton. A year ago, the rate was \$14 a ton.

Escort 'remains top selling car' for fifth year in a row

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD CLAIMS that its Escort was the world's best-selling car in 1985 — for the fifth year in succession.

The company says Escort sales reached \$28,000 last year or 40,000 more than its nearest rival, the General Motors model sold as the Opel Ascona in continental Europe, the Vauxhall Cavalier in the UK, Monza in Brazil and Camira in Australia.

Ford also suggests its "F" series pick-up truck retained its place as the world's best-selling commercial vehicle with production of 640,000 last year placing it, fourth overall in the world rankings for either car or truck.

Nearly every "F" series pick-up is sold in North America where the vehicle is frequently bought for personal transport and is substituted for a car.

Ford says production of the Escort during 1985 was 901,000, second only to the record of 908,000 established in 1984. The model is produced in the UK, West Germany, Spain, Portugal, Canada, the US and South Africa.

Since it was launched as Ford's first "world car" in the autumn of 1980, production of the Escort has reached nearly 5m.

It has been Ford's best-selling car in Western Europe for the past five years and in 1985 its sales of 402,000 put it in sixth place in Europe, behind the Volkswagen Golf, Fiat Uno, General Motors' Opel Kadett/Vauxhall Astra, the Peugeot 205 and the Renault 5.

WORLD'S BEST SELLING CARS IN 1985

Make	Sales
1 Ford Escort	923,000
2 General Motors Ascona/Cavalier	883,000
3 Volkswagen Golf	778,000
4 Toyota Corolla	732,000
5 Fiat Uno	587,000
6 General Motors Kadett/Astra	584,000

(* Totals include similar vehicles made under different namesplates. GM Ascona/Cavalier also includes the Monza in Brazil and the Camira in Australia. The VW Golf includes the Caribe in Mexico.)
Source: Ford

Frank Gray on a successful wine for tea barter deal with Yugoslavia Small countertrade can be beautiful

WHEN MAJOR exporters of equipment or commodities are confronted with a countertrade requirement from their customers, they can almost always turn to an experienced trading organisation specialising in barter to help sort out their problems.

This is most true in the case of multinationals, which often maintain their own in-house countertrade units to ensure that a viable deal is eventually concluded.

But when a small organisation, accustomed to receiving cash for goods is hit with a countertrade offer, the disruption to the company's way of doing business can be dramatic.

Such a challenge was recently hurled at Mr Michael White, chairman of the Sersfield Trading Company, a London-based concern with long experience selling Assam tea for cash to customers in the UK, Eastern Europe, the Middle East and Africa.

Some 60 per cent of the company's annual turnover of \$3.8m comes from abroad, and Yugoslavia is its most important foreign customer. The sale of tea to that market has been growing sharply in recent years, riding on the tail of the tourism boom generated by British travellers to the Adriatic.

Not surprisingly, the counter-

trade glutlet was thrown down by Voco, the Yugoslav state trading organisation. Facing a shortfall in hard currency to pay for Sersfield's growing volume of tea shipments, it proposed part payment in local products, one of which was Yugoslavian wine.

Mr White, in a recent interview, said his first reaction was to refuse the proposal outright. But on weighing the importance of maintaining trade ties with a traditional customer, against a cutback or even a termination of business, he agreed to consider the barter option.

The proposal required several trips to Yugoslavia and visits to numerous wine estates where, he admitted, the quality of production appeared to match vineyards in Western Europe. He accepted an initial trial shipment of 100 bottles comprising six different brands.

Through his own contacts in the drinks trade he was able to ascertain that the bottled product received in London was as good as that sampled on site.

Since agreement in principle had been struck, the next step was to sort out contractual details, far more complex than the simple trading of tea for hard currency to which Sersfield was accustomed. Such advice was forthcoming from the countertrade division of Barclays Bank and National Westminster Bank in London,



Mr Michael White, chairman of Sersfield Trading — an unexpected demand to set up a barter deal led to other countertrade business

and the Trust Bank of South to distribution in the UK and Ireland. He was helped by Grants of St James's and Hatch Mansfield, the UK drinks merchants.

In the 18 months since the Yugoslavs made their initial proposal, Mr White's attitude

has turned from reluctance to enthusiasm. This year, Sersfield will handle around 15m in Yugoslavian wine, some 20 per cent of which will be sold through the Dublin-based Superquinn supermarket chain. A total of 12 brands are on the market.

Yugoslavian wine does not enjoy the preferential tariffs of wines produced within the EEC, but the overall production cost is lower and Sersfield is able to sell it at less than £2 per bottle. Given the surge in UK wine consumption in recent years, the wine is as good as cash.

The apparent security of the market, however, is not without its pitfalls. With some amusement now, Mr White recalled his recent emergency visit to Dublin to allay the fears of his Irish customers over the tainted-wine scandals of recent months that bit the wines of Austria and Italy.

Mr White's experience with Yugoslavia has led to other barter deals and proposals. Sersfield recently agreed to take a small supply of Polish fruit wines, negotiated with the Argos state trading organisation.

These are being bottled, labelled and boxed in the UK in wine kits, complete with Irish crystal glassware from Galway. Sersfield is considering similar wine-for-tea offers from Malta and Bulgaria.

Total world-wide output of Ford cars and trucks during 1985 was 5.55m, placing Ford second only to GM of the US as the world's largest manufacturer of motor vehicles and more than 2m ahead of third-placed Toyota of Japan.

Japanese car makers could boost their share of the West European car market to some 16 per cent by the early 1990s from 11 per cent last year and 7 per cent in 1980, a study prepared by the Economist Intelligence Unit Beuter reports from London.

The study on Japan's motor business said that one in five vehicles made in Japan is now shipped to Western Europe and with a falling dollar threatening earnings in the US, this percentage was bound to rise.

GM sales, Page 4

World Economic Indicators

UNEMPLOYMENT	June '86		May '86		Apr '86		June '85	
	US 000's	%	W. Germany 000's	%	France 000's	%	Italy 000's	%
US 000's	8,443	7.10	2,122.0	7.3	2,220.0	7.0	2,447.5	7.30
W. Germany 000's	7.10	7.30	8.2	9.0	8.2	9.0	8.1	8.1
France 000's	2,377.9	10.0	2,371.6	10.3	2,394.9	10.3	2,282.6	9.8
Italy 000's	1,172.2	13.9	1,172.2	14.0	1,190.3	14.1	1,288.5	12.6
UK 000's	3,270.9	12.2	3,270.9	12.4	3,325.1	12.4	3,323.8	12.6
Netherlands 000's	485.8	12.4	485.8	12.4	497.9	12.4	497.9	12.1
Belgium 000's	481.7	11.7	481.7	11.9	490.6	11.9	504.7	12.8
Japan 000's	1,820.0	2.86	1,820.0	2.72	1,820.0	2.55	1,570.0	2.44

Sources: (except US and Japan) Eurostat



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iota of difference what you paid for your ticket. From economy to first-class, the same spirit of courtesy, helpfulness and respect holds sway. Which is why our passengers say goodbye to us with a smile. And it won't be put on.



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*Mit der Unterstützung von GDC gründete die Firma Forth Tool and Valve Services einen 135 qm grossen Betrieb und nach zweimaliger Vergrößerung führt sie jetzt ihren Betrieb auf einer 2.700 qm Fläche.



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UK NEWS

CONTROVERSY GROWS OVER EEC ANTI-DUMPING DUTIES

Paper industry hit by kraftliner row

BY LIONEL BARBER

ON February 14 this year, Mr Alistair Burt, Conservative MP for Bury North, rose in the House of Commons to speak about an apparently innocuous and relatively obscure paper product called kraftliner.

Mr Burt said that regulations concerning the payment of EEC anti-dumping duties on kraftliner were being widely breached, and he urged the government to look into the matter.

Around two months later, Customs & Excise officials made a snap raid on several UK corrugated box manufacturers - the principal users of kraftliner. Many other visits to other major manufacturers have followed as part of an investigation which has shaken the UK paper industry.

To some observers, Mr Burt's speech - made during a rare adjournment debate on the paper industry - and the Customs investigation are closely linked. By bringing out into the open what many in the industry had suspected for months, Mr Burt may have squeezed the trigger for an official investigation.

In fact - as Mr Burt conceded last week - he was acting as the mouth-piece for the British Paper and Board Industry Federation, many of whose members had been hurt by the downward spiral of kraftliner prices over the previous 12 months.

Kraftliner is the key raw material for the corrugated box and casing industry. The market is worth around £150m in the UK and the industry employs about 18,000 people in around 100 plants, according to industry estimates.

More important - at least for the federation's own membership - the price of kraftliner can have a knock-on effect on other types of paper, notably testliner, a porridge mixture of waste paper which serves as a rival, if inferior, product. This is precisely what occurred last summer when kraftliner prices hit their nadir.

Last year, kraftliner prices were being quoted in the EEC and the UK at around \$260 or \$270 a tonne. Explanations differ on who led prices down and why.

The (then) strong dollar, coupled with overstocking by users after the third proposed price increase for suppliers inside a year, are cited by kraftliner buyers. Further, Sweden, a major kraftliner supplier, devalued its currency, the krona.

The question of who started the discounting which forced prices in the market below the EEC minimum intervention price of \$333 a tonne is far more controversial. One theory is that Swedish producers elected to break their voluntary undertakings to the EEC not to sell below \$333.

But UK agents for the Swedes deny this and point the finger at Cellulose du Pin, the sole French and major EEC producer. "The irony is that the French pushed for the anti-dumping legislation in the first place," said one sales director acting for the Swedes.

Falling kraftliner prices forced the US producers - among them Great Southern Paper, St Regis Paper, and International Paper - to react, kraftliner buyers said. The problem for the Americans was that

they were the only world producer legally liable to the EEC's dumping duties. Their products were subject to duty and yet they knew they could not afford to stay out of the market," said one major purchaser of American kraftliner.

The reason lies partly in the nature of kraftliner production. The paper mills are so capital intensive that it is imperative that they run to capacity. "At 95 per cent capacity you are breaking even and every 1 percentage point above that you start making a lot of money," said Mr Michael Howard, director of the British Fibreboard Packaging Association. "But at 92 per cent capacity, you lose money."

Conversely, there was no way that the association's members - the major users of kraftliner for the corrugated box and casing industry - could afford to ignore their US suppliers. Three years ago, the Americans held around 60 per cent of the UK market and last year it was still 40 per cent. "They could not cut themselves off just to take a cut-price offer from the Swedes or the French," one UK importing agent said.

But the offer of discounts by all major producers presented a dilemma for UK users of kraftliner. If they accepted the discounts, then they faced paying the outstanding difference between the market price and the EEC minimum intervention price of \$333. At a price of \$270 a tonne, for example, the levy payable to Customs would be \$63.

On the other hand, if they recorded the actual selling price of \$270 at \$333, then they could avoid

the EEC levy. At the same time - and here is the twist - they would pay a slightly higher duty to Customs because of the higher recorded price. Some companies may have judged the trade-off between paying a (then) 7 per cent duty and avoiding the EEC levy was to be a risk worth taking.

The British Paper and Board Industry Federation (BPBIF), worried by the slump in paper prices and the way in which the anti-dumping legislation appeared to be being flouted, encouraged an official government inquiry. Once again, the result was totally unexpected.

Mr David Peacock, director of the BPBIF, said the federation had understood that the importers themselves were not responsible for paying the EEC levy, rather it was up to the suppliers who, after all, were offering the discounts.

This does not appear to be the case. Hence the federation may have helped prompt an inquiry which could harm its very own customers in the corrugated box industry. "It is an unfortunate position," said Mr Peacock last week.

The federation, along with kraftliner users and producers, has meanwhile succeeded in persuading the EEC Commission to review the anti-dumping legislation, just as kraftliner prices have recovered to around \$400 a tonne.

One sales director for a big Swedish producer said last week: "I think everyone has lost sight of what is going on. This is the mess you get into when you try to interfere with market forces with artificial devices like anti-dumping rules."

Allowance outstrips inflation

BY JAMES McDONALD

LONDON SALARY weighting payments have risen over the year to last May by an average of 4.3 per cent, with a 5.7 per cent increase for inner London, according to the latest annual report from Reward Regional Surveys. This is above the May inflation rate of 3 per cent during the year.

The Reward report, based on data from 153 companies, points out that, despite these increases, the amounts paid are well below the actual cost-of-living differences between the inner London area and the UK average.

The annual median weighting payment increase over the year to

May for all London was £276, a 4.3 per cent rise, and for inner London, £1,280, a 5.7 per cent increase.

But the actual cost-of-living difference between the London inner area and the UK average was £2,534 on the basis of Reward's January cost-of-living survey.

"It is felt only fair that individuals should pay something towards the capital appreciation on house values," says the report. "As these are rocketing around London, this is a topical subject. Our latest figures show house prices in the London area have risen 18.8 per cent over the year and 14.8 per cent in the southeast outside London. This

compares with an average 10.3 per cent increase throughout the UK."

A majority, 85 per cent of the survey companies, have reviewed their London weighting payments within the last year, but there are some weightings still operating that were set as far back as 1979.

The opening of the M25 ring road is having an increasing effect on salaries, house prices and additional payments like London weighting, says the report. "Most companies are watching this carefully, although some have already moved their outer London boundary to the M25."

Lord Barnett may head BBC

By Raymond Snoddy

LORD BARNETT, the former Labour Cabinet Minister, is favourite to succeed Sir William Rees-Mogg who is due to retire as vice chairman of the BBC board of governors.

If Lord Barnett's appointment is confirmed it could shift the balance of power in the board more towards the centre.

At present both the chairman, Mr Stuart Young, and Sir William are seen as having Conservative instincts.

As well as making the board more politically representative Lord Barnett could strengthen its financial expertise.

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UK NEWS

Employers deal blow to profit-sharing scheme

BY ROBIN PAULEY

THE GOVERNMENT'S favoured way of introducing profit sharing into pay packets has been dealt a severe blow with its overwhelming rejection by employers. It has already been given icy reception by many employee unions.

The CBI initially welcomed Mr Lawson's idea, saying it would introduce some much-needed flexibility into pay setting. But the detailed survey produced a long list of objections to the scheme.

Employers also felt that the scheme would not attract workforce support because it required them to put too much of their basic pay at risk each year, an objection also widely voiced among trade unions.

Oil chief calls for easing of tax burden

By Maurice Samuelson

A NORTH SEA oil industry spokesman called at the weekend for "essential" tax changes to prevent the slowdown in new developments caused by falling oil and gas prices.

Skoda aims to regain lost ground

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

SKODA, the Czechoslovakian car group, hopes to celebrate the 20th anniversary of its UK subsidiary this year by regaining lost ground in Britain, its best export market outside the Comecon countries.

During the past 20 years, Skoda (Great Britain) was set up in 1966 by Motokov of Prague which took over from an independent importer which was selling a few hundred cars a year.

£192,953 on sales worth £33.2m compared with a £58,073 profit and sales of £32.8m the previous year.

"The most loyal hands of dealers and owners to be found anywhere. The marque appeals almost exclusively to the genuine private motorist and has introduced tens of thousands to their first new car - and had them coming back with repeat orders ever since."

Stockbroking firm opts for market-making role

BY BARRY RILEY, FINANCIAL EDITOR

THE STOCKBROKING firm of Greenwell Montagu, part of the Midland Bank Group, is to terminate its agency role and act as principal in respect of institutional business in UK equities after the London Stock Exchange's Big Bang restructuring on October 27.

Mr John Finch, head of equity sales, said: "We feel it is necessary to be a market maker. The agency-only option is not on. Having decided that, there is no logical place to start apart from a principal-only basis. We are going for a clean break because it is where the business will go to in the end."

City watchdog membership faces shake-up

By Our Financial Editor

AN IMMINENT shake-up in the membership of the Securities and Investments Board (SIB), the body which will be empowered by Financial Services legislation now going through Parliament to regulate Britain's investment markets.

Lamb sales improve after nuclear fears

By Stefan Wagstyl

LAMB PRICES have staged a marked recovery as shoppers' fears have receded about buying meat which might be contaminated by fallout from the Chernobyl nuclear disaster.

The Meat and Livestock Commission said that wholesale prices last week rose by an average of 10p to 181p a kg, after plunging about 45p the previous week when the Government banned the movement and slaughter of sheep in parts of the country.

The commission said prices which had been 20p to 25p lower than might have been expected before the radioactivity scare were now broadly at the expected level for this time of year.

Credit shift continues

BY WALTER ELLIS

THE securitisation of credit to UK companies, whereby borrowers issue marketable securities instead of obtaining interest-bearing cash from banks, is moving ahead rapidly, according to Mr Christopher Johnson, economic adviser to Lloyd's Bank.

persuaded to hold securities and banks can more quickly alter the composition of their asset portfolio by buying and selling securities rather than having to wait for loans to run off before replacing them.

Prices of house-building sites continue to rise

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

THE PRICE of house-building sites in south-east England rose 7.3 per cent in the 12 months to April 1 this year, while the price of residential land in inner London rose 42.3 per cent, according to statistics from the National Council of Building Materials Producers.

showed an average rate of annual price increase of 7.9 per cent. However, the report found that "even in low value areas the density of residential building is intensifying in order to minimise the infrastructure cost per unit."

GM takes the lead over BL in van sales

BY OUR MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS, the Bedford commercial vehicle group, pushed past state-owned BL to take second place in the UK new van market during the first half of this year with the help of vehicles built in Britain from Japanese designs.

GM - when it launched the Bedford Midi, based on an Isuzu van, and the Rascal, from a design by Suzuki - said it intended to take van market leadership. But it has some way to go to catch Ford.

Imports were running at near-record levels, accounting for 40.23 per cent of total registrations against 38.3 per cent in the January-June period of 1985.

back the second place in the heavy truck market it lost recently to Daimler-Benz, the Mercedes group of West Germany. But Ford was not able to regain the lead it lost this year to Leyland, the BL offshoot.

Companies 'not facing serious pay pressure'

BY WALTER ELLIS

MANY leading businessmen say they are not under serious pressure to make excessive pay awards, according to a survey by the Institute of Directors (IOD).

The survey contradicts the views of several senior government ministers who have complained recently that UK pay settlements are rising out of line with improvements in company performance and profitability.

leaders who said they had experienced serious pressure to make unjustified pay awards, nearly two thirds said they had not yielded to such demands.

Out of the 200 businessmen taking part in the survey, 17 per cent - the highest total for more than a year - said labour supply was expected to be their main concern during the next six months.

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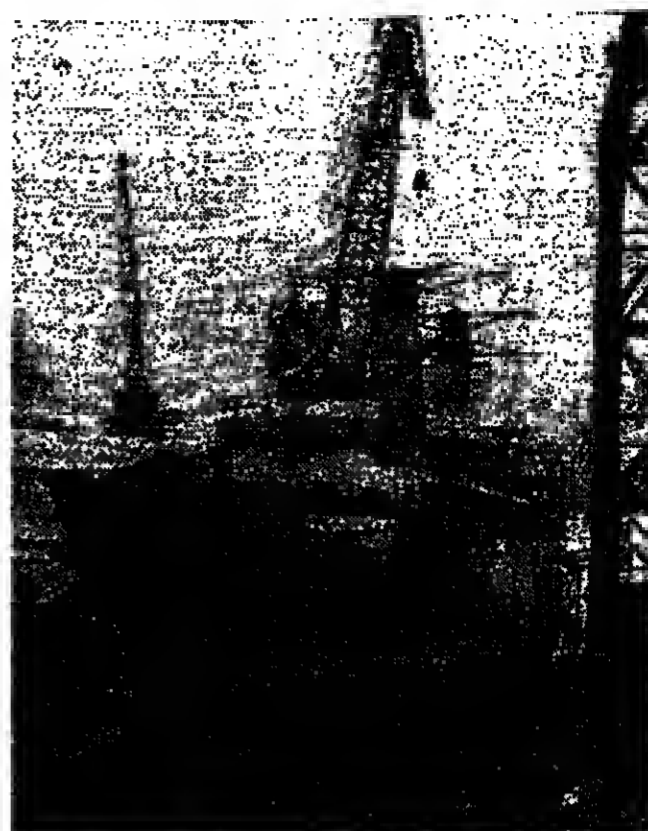
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UK NEWS

Andrew Fisher reports on some good news for British shipbuilders
Warship yards fight for orders



Swan Hunter, one of Britain's work-hungry warship yards, is set to win a Type 23 frigate order soon. Pictured here is HMS Sheffield, one of two earlier Type 22 frigates, at the Tyneside yard. The keel of a third was laid in May.

BRITAIN'S WARSHIP yards are in a precarious position. Barely out of the secure, though not always comfortable, embrace of British Shipbuilders, they are now fighting it out in a harsh commercial environment. Naval orders are harder to come by, as the government seeks to curb spending. Projects are delayed or curtailed and negotiations on price and terms have become tougher. So the news emanating from Whitehall that three new Type 23 frigates are likely to be ordered soon has given some yards a timely fillip. But as with merchant shipbuilding, there are too many yards chasing far too few orders. Four UK yards have been in the race for the £120m frigates; only two have been successful, at least for the moment. Yarrow on the Clyde, now a subsidiary of General Electric Company (GEC), looks likely to receive two frigate contracts and Swan Hunter on the Tyne a third. Left out in the cold are Vosper Thornycroft in Southampton and Cammell Laird on Merseyside. With the orders yet to be formally announced, yards are coy about prospects. But Mr Peter Usher, managing director of Vosper, admits: "We are not delighted." As well as being frustrated over UK hopes, the yard has been talking for several years on a possible £300m-plus order for three frigates from Pakistan. This, too, is looking less likely as time passes. Pakistan's political scene has become more fraught after the return there of Miss Benazir Bhutto, daughter of Mr Zulfikar Ali Bhutto, the former Prime Minister executed by President Zia seven years ago. Export opportunities like Pakistan are rare, though Vosper has distant hopes of Greece, New Zealand, Algeria and Indonesia. And they are keenly fought. Though Vosper has a letter of intent from Pakistan, which would build one of the frigates in Karachi, West Germany's Blohm and Voss is also keen for the business. "We're not giving up our frigate-building activity lightly," asserts Mr Usher. "We're in there fighting." But the yard built none of the last generation of Type 22 frigates and has so far not been chosen to construct one of the lighter, cheaper and more sophisticated Type 23s. Without more work, Vosper will clearly have to cut its 2,800-strong workforce, already down sharply in the past few years. For Yarrow, the Type 23 orders will provide security for the yard's 4,300 jobs, around 1,000 of which would probably have had to go otherwise. "We need one (Type 23 order) pretty desperately," says Mr Eric Smith, industrial relations director of the Clydeside yard. "We'd obviously like two." Like Vosper, he says the yard has still to hear from the government on its decision. GEC is expected to invest £10m in a new covered building hall for its yard, for which it paid £4m just over a year ago, if it wins the Type 23 work. Yarrow is already building the prototype and would thus hope to produce the next vessels more cheaply and efficiently. With a covered hall, Yarrow could use merchant-building techniques involving pre-assembly of large blocks. As much of the advanced outfitting work would thus be carried out at an earlier stage, up to 12 months could be sliced off the present building time of some four years. Cammell Laird, now part of Vickers Shipbuilding, is using such modular construction methods for the Type 22 frigate it was awarded back in January 1985, when Mr Michael Heseltine, then Defence Secretary, rewarded the Birkenhead yard for its stand against militant pickets in 1984. But Swan Hunter lost out as a re-

sult. To soothe its wounds, it was promised a Type 23 order. It is this vessel which the government now seems ready at last to confirm, after strong lobbying by local MPs and great patience by the yard itself. This year has been frustrating for Swan, which left the public sector five months ago in a City-backed buy-out. It lost a fiercely fought £100m order for an auxiliary oil replenisher (AOR), designed to support the Type 23 fleet, to a consortium of Harland and Wolff of Belfast, Yarrow, Racal and the Yard design company. It then declared £25 redundancies. But the Harland team has to meet stringent conditions on the contract, with severe penalties if it fails. Clutching its funds most closely is the Ministry of Defence. It was expected to order two AORs this year and four later. The second has been delayed. Swan will have a chance to tender for this. So despite the likelihood of more frigate orders, yards are still scrabbling for work. Cammell Laird has won £300m worth of submarine orders, but wants more business to supplement this. Swan needs more than one Type 23 and hopes to break into the difficult export market. Vosper, which went private in an £18.5m management buy-out, has not wholly given up hope on Pakistan. Mr Usher will fly there soon to assess the contract's fading chances. "With the deal taking so long to pull off, it must be in some sort of jeopardy. Our fingers are firmly crossed." He is hoping the UK Government will approve a new class of £25m minesweepers of which Vosper is now building the first in glass reinforced plastic, a material in which it specialises. It built 11 of the previous class, with two built by Yarrow, which will also compete for the new ones. If Vosper wins the Pakistani and minesweeper work, it will need about 1,000 more workers, still leaving it well short of the 5,800 from which it has fallen since 1982. Yarrow will need two frigates a year to maintain its labour force. Commenting Mr Heseltine not just referring to naval work: "It's a rotten slide we're all on at the moment."

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Contracts & Tenders



KINGDOM OF SAUDI ARABIA SAUDI ARABIAN NATIONAL GUARD INVITATION FOR TENDERS

The Saudi Arabian National Guard invites qualified companies to submit tenders for a 3 year contract to Operate and Manage the King Khalid Hospital and Medical City, a 300-bed specialty teaching hospital complex currently in operation in Jeddah, Saudi Arabia.

The King Khalid Hospital conducts a program of post graduate medical education which has as its objective the preparation of Saudi physicians for Western and Arabic specialty credentials. This program requires that the Contractor for Operations and Management to conduct patient care and education at standards acceptable to the relevant authorities providing such credentials. It also requires that the Contractor, on behalf of the Hospital, develop and maintain affiliations with reputable teaching hospitals in Western countries.

Consequently, Companies to be considered for contract award will be required to demonstrate:

- 1. The Existence of an established capability in a Western country for developing and maintaining affiliations with reputable teaching hospitals.
2. Successful experience, during the four years immediately prior to the date of tendering, in the management and operation of one or more teaching hospitals of at least 200 beds, or of at least five acute-care hospitals, one of which must be of 200 beds or more.
3. Successful performance in the international recruitment of medical personnel.
4. The existence, at the time of tendering, of a professionally staffed central office capable of mobilizing for the project and of providing ongoing management and professional support.
5. Past experience of handling projects of 100 million or more and the availability of at least S.R. 25 million of working capital.

Preference will be given to companies with successful experience in the management of teaching hospitals.

Tenders will be considered from:

- 1. Saudi Companies.
2. Foreign Companies with Saudi Sponsors, and
3. Two or more Companies tendering jointly, provided that the Companies named demonstrate a commitment to form a Joint Venture Company to accept any contract award.

When evaluating tenders submitted by Joint Ventures, either existing or to be formed, consideration will be given to the qualifications of only those Companies that will bear the financial risk for a minimum of 25% of the project.

The National Guard will not review or evaluate any tender submitted by a Company that does not meet all of the qualifications stated above.

Request for Proposal documents may be obtained from

Tenders Department, Saudi Arabian National Guard, Western Region, Jeddah Tel: 671-1334/5 Tlx: 601241 on or after 23/7/1986 AD - 16/11/1406 H, for the amount of one hundred and fifty thousand Saudi Riyals (SR. 150,000). Tenders must be submitted by 27/9/1986 AD - 23/11/1407 H.



Plant at

Záhony-Eperjeske

for unloading bagging & storing of chemical fertilizers

AGROTEK Trading Company for Agricultural Capital Equipment and the HUNGARIAN STATE RAILWAYS/MAV have entered into a joint venture agreement to erect a plant at Záhony-Eperjeske, North-Eastern Hungary, for unloading, bagging and storing of chemical fertilizers with a bagging capacity of 40 metric tonnes/hour and intend to procure the plant and machinery needed for that purpose. Average working hours/year are estimated at 2,000 hours. The funds needed will be provided by AGROTEK and MAV.

The CHEMOKOMPLEX Foreign Trading Company now invites sealed bids from eligible bidders for the supply of the following plant and machinery needed as components for the project along with the necessary spare parts as well as the joint technical services regarding the above:

- Fertilizer storing equipment;
- Fertilizer grinding machine;
- Portioning scale with bagging head;
- Sewing and mending machine;
- Belt conveyors;
- Wagon loaders;
- Pre-feeding bins.

Interested eligible bidders may obtain further information and inspect the bidding documents at the office of

CHEMOKOMPLEX

H-1062 Budapest, VI Népköztársaság utja 60 Tel: 122-680 Telex: 225153 Attention: István Buday, Head of Department I/FB No. 104-86/A-8036

A complete set of bidding documents may be purchased by any interested eligible bidder on the submission of a written application to the above and upon payment of a non-refundable fee of fifty US dollars - US\$50 - or equivalent in convertible currency. From domestic bidders in Hungary payment of two thousand HUF - HUF 2,000 - will be requested.

Remittances are to be made to the account No. 218-10763 of CHEMOKOMPLEX kept with the National Bank of Hungary, Budapest. Payment by cheques will be accepted and documents will be sent by registered air mail. Bidding documents are available during 30 days reckoned from the issue of the present publication.

WANDSWORTH BOROUGH COUNCIL STREET CLASING OF PUBLIC HIGHWAYS

Contractors wishing to be considered for the selection to submit one contract to class the public highways within the Wandsworth Borough Council area should submit names to the Director of Highways and Street Services, Room 113, The Town Hall, Wandsworth High Street, London, SW18 1JF by 25th July 1986. Quoting reference WTC/86.

This contract will comprise the street clasings of approximately 350 km of cartways and footways, all in accordance with a specified specification and schedule of materials to be used. The following details: (a) the names of the contractors to be considered; (b) the names and addresses of other local authorities or organizations for whom they have worked; (c) the names and addresses of two technical and financial referees.

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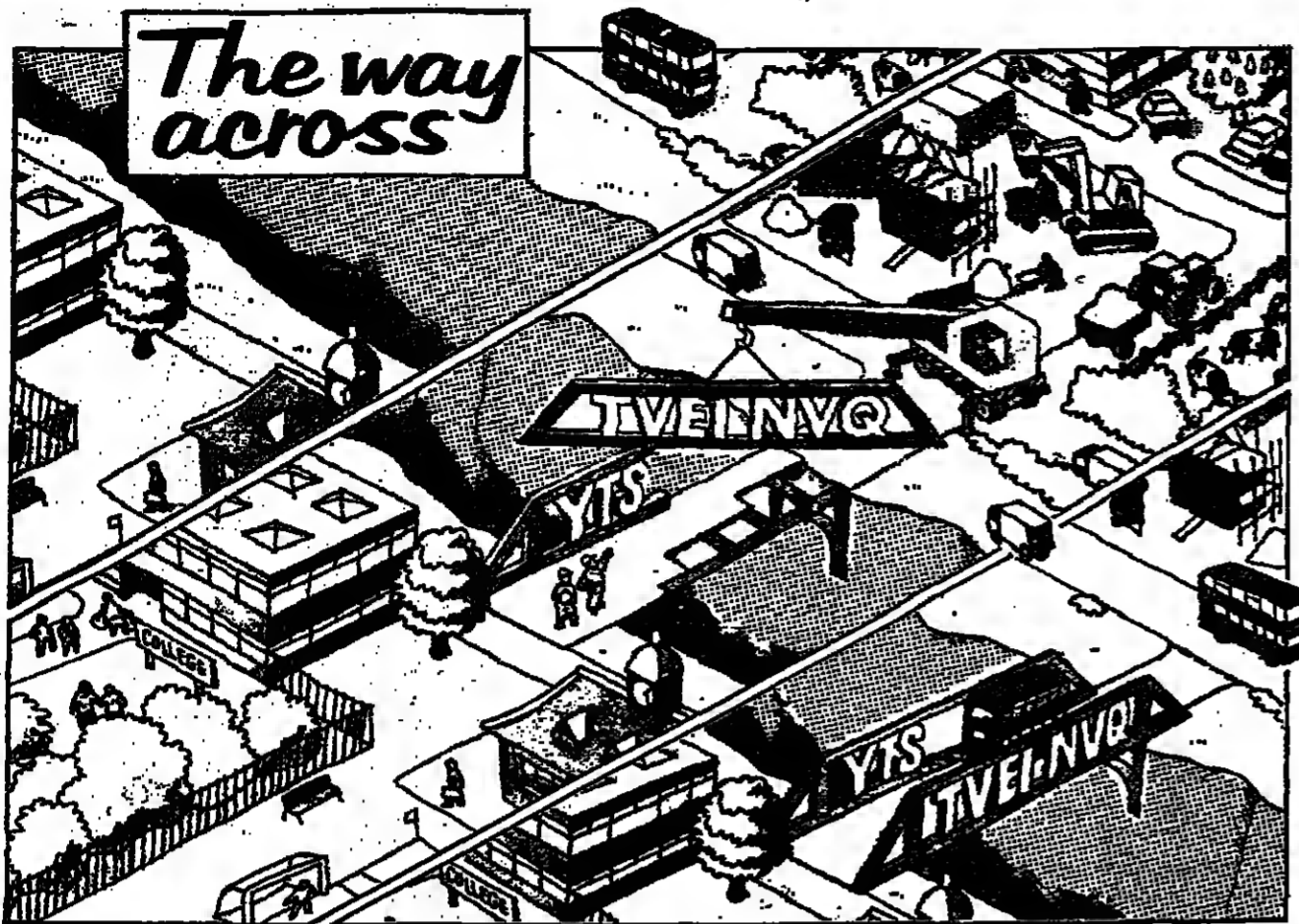
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UK education



Publicity for the Government's training schemes

A practical proposition

By Alan Pike, Industrial Correspondent

LORD YOUNG, Employment Secretary and a late-developing politician with an acutely professional touch, appeared at a press conference to announce the Government's plans to reform technical education wearing a vivid yellow badge and an equally bright smile.

The badge symbolises what the change is all about. It was made by pupils on a Technical and Vocational Education Initiative (TVEI) project — the scheme for giving 14-18 year olds a more practical schooling. The Government announced last week its plans to extend the programme to all secondary schools.

His smile can be presumed to reflect satisfaction that progress is at last under way in changing the curriculum in Britain's schools and colleges, with his own Department of Employment taking a leading role.

Lord Young devised the idea for TVEI four years ago, when he was chairman of the Manpower Services Commission (MSC), as a way of making the school curriculum more relevant to the world of employment. The MSC is a public agency run by employers, unions and education representatives.

The initial pilot projects were launched in 1983 through the MSC rather than the Department of Education, primarily because Ministers believed that the MSC was more likely to make speedy progress. Local authority control of education and the indirect method in which universities are funded has put the DES in a weak position when it comes to initiating action. Educators, and even the DES itself, are seen by many Ministers as invariably preferring lengthy discussion to experimentation.

There were suggestions when the TVEI pilot projects started that, having got the experiment off the ground, the MSC would hand the scheme over to the DES. But last week's education and training White Paper said the MSC would administer the plan to take TVEI national.

Since launching the project, the MSC has also been given an important role in financing further education in local authority colleges — a move intended to strengthen the link between the courses offered by colleges and the actual training needs of industry.

Last week's White Paper also made public a further coup for the Department of Employment. Lord Young has been named as the Minister who will "have the lead responsibility" for appointing a new National Council for Vocational Qualifications, and for its day-to-day administration.

The council is designed to bring Britain's confused system of vocational qualifications and certificates within a single clearly-understood framework. Mr Oscar de Ville, formerly deputy chairman of BICC and now with Meyer International, has been named as chairman, and Lord Young's lead responsibility can be expected to ensure that industrial interests are strongly represented on the council.

All these moves are part of an increased central involvement in the curriculum. Although TVEI schemes are designed by local education authorities, they have to meet criteria set by the Manpower Services Commission. The purpose of the MSC's activity in local authority further education is to stimulate courses which meet market needs. But the developments also represent a distinct change which is taking place in the Department of Employment under Lord Young's tenure.

The inside cover of last week's White Paper lists the objectives of the Department of Employment. "Encouraging the development of an enterprise economy" is identified as the department's prime aim, with the objectives going on to talk about the promotion of small businesses, self-employment, tourism, training and cutting business red tape as means of achieving this. Industrial relations — for so long the staple diet of the old beer-and-sandwiches Ministry of Labour — receives only a single line mention.

With the Government's industrial relations reforms on the Statute Book, the department is fast changing shape and concentrating on its new priorities. Visitors to the Secretary of State's office encounter "Please Take One" boxes of booklets containing details of some 30 employment and training schemes being run by the department and its direct-action arm, the MSC.

When Lord Young became chairman of the MSC in 1983, he soon concluded, like others before him, that Britain's lagging industrial training system could not be changed in isolation from the education system. It was against this background that he devised TVEI and began the excursion of the MSC and Department of Employment into educational reform.

Lord Young's yellow badge made by TVEI pupils did not come from a course in badge-making, but one teaching the financial, commercial and marketing aspects of running a small business.

School children in Clywd, Wales, have become the first in the country to study robotics at O level. Courses on fashion and textile design are established in Newcastle. Design and entertainment studies, complete with a £100,000 studio in a converted cinema, are available to TVEI students in Barnsley. A food studies course has been designed in Bedfordshire. Marine studies and holidays and leisure courses — including visits to Holland on a roll-off ferry — have been introduced in Norfolk. Industrialists work with teachers in curriculum development.

TVEI will be running on a pilot basis in all but 18 local education authority areas by September, and under the expansion announced in the White Paper will eventually be available as an option for 14-18 year olds in every secondary school in the country.

The official criteria for TVEI say, among other things, that the scheme is intended to "prepare the student for particular aspects of employment and for adult life in a society liable to rapid change."

These criteria have given rise to some fears that the high tech, glossy image of TVEI may conceal old-fashioned, narrow job training. Critics believe the initiative will reduce young people's options and educational horizons at the age of 14, and become a covert means of re-introducing selection within the comprehensive system — the bright pupils preparing for higher education, the others getting job training on TVEI.

Such suggestions are rejected as strongly by TVEI teachers and young people taking part in the initiative as they are by Lord Young and his colleagues. But no attempt is made to deny that TVEI is intended to bring education and industry closer together, and break down the traditional pre-eminence of the academic over the practical in the British school curriculum.

Many TVEI teachers — like Youth Training Scheme instructors — have been impressed by the extent to which a practical, problem-solving approach can stimulate young people's learning. Many educationalists involved in the TVEI pilot projects would agree with the White Paper's grand sounding judgement that the scheme is "one of the most significant broadening of the schools curriculum this century."

If successful, it should also help in the coming years to tackle skill shortages in advanced technology sectors of

industry. But another skill shortage has to be overcome first — the biggest threat to the national development of TVEI is a severe shortage of mathematics, science and craft teachers.

Chinese walls may be too thin

By Barry Riley

DECLARATIONS of independence crop up not only in American colonies but also, oddly enough, in the London stock market.

The independence being so declared at present is that of the market making arms of the newly-formed securities groups from their corporate finance departments. Effective independence is vital if they are to receive permission from the Takeover Panel to sustain their market making operations at times of takeover bids involving client companies.

But although this may be an adequate approach during the current interim stage of the London securities market's development — the big groups can own market makers, but must not integrate them with the distribution side — it is not going to be sufficient after Big Bang.

Conflicts of interest are already familiar in the London securities scene, but the absorption of the jobbing function within broader firms adds some new variations on the theme. In particular, firms which make markets in the stocks of corporate clients will need to erect very thick Chinese walls between their traders and their corporate finance departments.

In fact some firms have thought very hard about whether they should attempt to make markets at all in the stocks of companies to which

they act as close advisers. There is inevitably a risk that actions by their traders could be misinterpreted, even when no insider information has passed between departments.

However, the logic of the new system is clearly that market making is an integral part of the range of activities of the new multi-service firms. Small companies, for instance, will normally expect that their sponsoring advisers will provide a reasonably liquid market in their shares — and other market makers may not readily volunteer because the pickings would be too lean.

For bigger companies, lack of eager market makers will not be a problem, but it will be vital for investment firms to keep closely in touch with the markets in clients' companies' stocks in order that they can advise on issues and have the necessary distribution capability.

Since the problem cannot be avoided, it must be tackled head on and foolproof systems developed. "We have not finalised our ideas, but by October we have to be entirely clear in our own minds," says one of the leading prospective market makers. "We can't afford to leave any grey areas. We have to be absolutely white."

The Takeover Panel's interim guidelines provide that so long as the market making operations sign declarations saying they are being run in a fully independent manner, they will be given a kind of exempt status. That is, they will not be regarded as acting in concert with parties involved in the takeover and will not be

required to disclose their holdings.

After Big Bang, however, quite different rules will have to apply in takeovers. The key question is whether the Panel will opt for the New York system of a restricted list which circulates within a firm and imposes limits to be applied to market making in sensitive stocks.

The restriction could amount to an outright ban, or a tight constraint on the volume of business permitted. Most market makers instinctively reject the latter however, and there is also the problem that in a major bid it would be possible for three or even more of the strongest market makers to be effectively cut out, because they all had corporate client involvements. That might seriously restrict the liquidity of the market, to the disadvantage of investors.

Rightly or wrongly, firms with big corporate client lists could end up being penalised, although there would be swings and roundabouts. They would hope to pick up business diverted from restricted rivals in bids in which they were not themselves involved.

At any rate, the Panel is bound to be concerned with safeguarding its concert party rules, and some awkward decisions are going to have to be taken in this area.

The sudden imposition of restrictions, after all, could be very embarrassing for a trader stuck with a large open position which he was unable to unwind. But maybe that is just one of the risks of the game. If he



were given a discreet advance warning of a bid or new issue and allowed to retreat gracefully the competing market makers would soon spot what was happening.

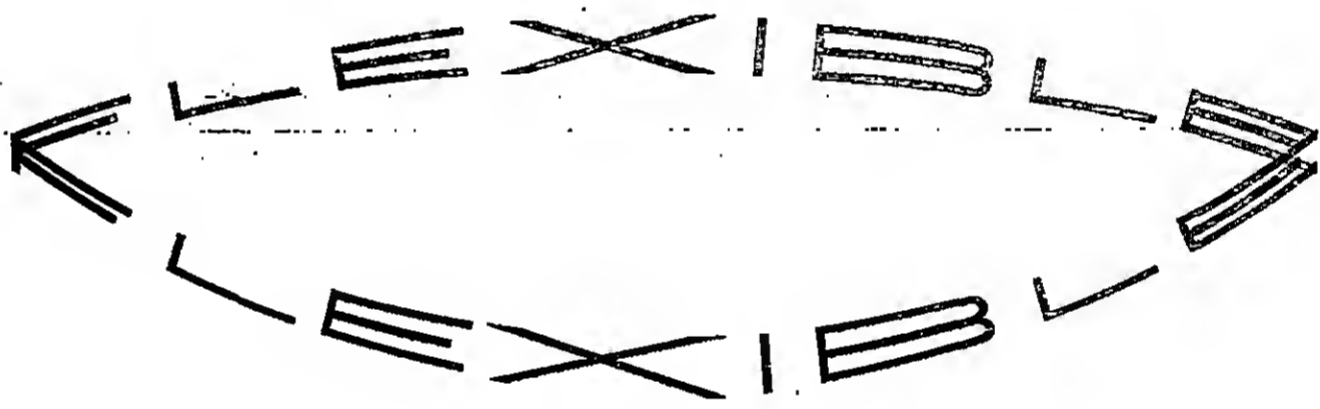
In other areas the arguments are rather simpler. When there is a rights issue, say, the Chinese Wall will have to stay absolutely impenetrable and the house market maker will have to take his medicine along with the rest of the market.

For the big groups these barriers to the internal flow of information ought not to be a problem. There are complex security systems to keep the various teams of specialists apart, and the largest groups can even afford to install separate banks of lifts to serve different functional areas.

It is a little more difficult to see how the rules could be applied so rigidly in small firms, where individual practitioners may wear several different hats. Arguably investors will have to be warned that lower standards may apply down among the game stocks.

Inevitably there will be breakdowns. In May this year First Boston in New York paid a civil penalty of some \$260,000 and gave up \$132,000 in alleged profits on trading in the stock of a corporate finance client which announced an unexpected write-off.

Despite the problems, the system will have to be made to work in London. If it does not, and there are too many scandals, the whole basis of the new-style market will be in doubt.



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FINANCE AND INVESTMENT

The above Survey which was to have been published today will now appear on Wednesday 16th July

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MANAGEMENT

MANAGERS' LIVES are full of paper, but what is written on it rarely gets read. Time and again research has shown that they do not much like reading and writing. They speak and listen instead.

Only a sharp break in executive habits could account for the explosion in sales of *In Search of Excellence*, *The One Minute Manager*, and today's other chart-topping management books.

How their authors have overcome millions of managers' resistance to reading is on the face of it a mystery. They have certainly shifted away from the long-standing mainstream of business literature, which stressed the "hard" attributes of management, notably structure, strategy and systems. Instead they stress the "soft" side: style, staff, skills and shared values. But little of their guidance on improving executive performance seems essentially new.

Take, for instance, the idea which underpins their advice on the key task of managing people. It is that executives tend to have markedly different attitudes towards the people who work for them. Some expect to catch their subordinates doing things wrong, so they concentrate on preventing faults. They could be called controllers. The others expect to catch people doing things right, so they work to promote initiative. They might be called leaders.

While almost all today's top-selling authors encourage the leadership approach, they can not claim credit for the underlying idea. The originators of the two contrasting views about the nature of working humanity were two men whose works have outlasted the books of all today's management gurus put together, not least because they lived nearly 2,500 years ago.

The first was Plato, who taught that, apart from an elite minority, men and still more so women are by nature irresponsible and need compelling to do anything positively worthy at all. The second was Aristotle, who saw people as naturally endowed with potentialities to do good things, which with guidance and encouragement they could realise.

Although Aristotle's version has the appeal of being optimistic, most management practice has enshrined the Platonic outlook. In western countries at least, organisations have tended to be set up on the principle that the bulk of people work best under close and detailed control.

The main modern theoretical influence behind that tendency was probably the concept of scientific management pioneered in the US by Frederick Taylor

Michael Dixon, in the third of a series, traces the age-old routes of today's management ideas and discovers fresh avenues of thought

The guru factor

Ancient wisdom with a novel twist



late in the last century. He argued that companies operate most efficiently if they break down their shopfloor work into repetitive tasks needing little training, which can be carried out quickly to standards that are easily policed. Taylor's proposals chimed well with the then prevailing technology. People would inevitably find little intrinsic interest, let alone scope, for personal development in the simplified shopfloor jobs he advocated. But the so-called deskilling was tailor-made (so to speak) for the further advance of mass production. Companies increasingly divided their employees into two castes. At the top a minority of "thinkers" were set to decide what should be done and how. Their decisions were handed down as detailed instructions to be followed semi-mechanically by a

majority of well supervised "doers" below. The two-caste division was adopted by organisations outside manufacturing, in line with the simultaneously spreading idea that the bureaucratic approach to getting things done was the highest form of management achievable by humankind. The same process also seems to have inspired a changed view of the role of executives. They were ranked among the thinking minority. But the growing body of theorists came to look on managers less and less as human individuals doing their jobs in the various ways they personally found best, and more and more as standard cogs in the higher workings of the organisational machine. Indeed, soon after Taylor formulated his principles of scientific management, a Frenchman called Henri Fayol published a standard definition of

what it is that managers do. He said their work boiled down to just five essential functions: planning, organising, commanding, co-ordinating and controlling. And perhaps because the bulk of books on management have since been written by academics, who prefer ideas to be neatly packaged for examination by the intellect, the tendency to pigeonhole managerial activities has persisted to this day. But not all the later theorists supported relentless machine-like control. Exceptions quickly appeared, one of the most prominent being the human relations school of the 1930s. Its leader was Professor Elton Mayo of Harvard, who claimed that people work more productively when treated as human beings and encouraged not just with decent pay but with pleasant working conditions. The same theme was

furthered by others, including Chester Barnard, a practising top manager who has had a strong influence on some of today's gurus. In his view the manager's prime task was allocating a wide range of "satisfactions," both intangible and concrete, to persuade workers to put hearts as well as bodies behind their employer's aims. In the 1960s the behavioural scientist Douglas McGregor, also an American, went still farther. He resurrected the opposed Platonic and Aristotelian outlooks on human nature, re-naming them respectively Theory X and Theory Y, and argued that the pessimistic approach had ceased to be capable of motivating the citizens of advanced industrial societies. He said they could no longer be made to work well for the purpose of satisfying merely basic needs such as those for food, warmth and shelter. They would respond only if their jobs

allowed them to achieve successively higher satisfactions, initially by winning a respected place in society, and ultimately by realising their full potential for individually creative work.

McGregor was brandishing his optimistic torch at a time of steady economic growth and full employment, and he apparently took it for granted that the benevolent conditions would continue. But in the early 1970s, just when the more humanistic view seemed to be gaining ground through the "quality of working life" movement and the like, the western economic climate turned cold.

The effect was the adoption by many organisations of what might be called macho-management. Its guiding dictum is that if executives have workers by the short hairs, their hearts and minds will inevitably follow. Today, many managers have grown disenchanted with an all-out macho approach, which is one of the reasons why millions of them have been attracted to the more humanistic theses of the new gurus.

Another factor may be that, to western executives, a renewal of optimism has now become a necessity. The closely controlled working practices which turned most managers, as well as subordinates, into cogs of some mass production machine are failing fast against eastern competition. Many European and US executives may well have decided that any future they have must lie in different approaches which unlock and build on uniquely human abilities to innovate and tailor the product or service to the special wants of individual customers.

Another clue to the top-selling gurus' popularity is that their view of the very nature of management activity seems different from the way most previous writers saw it. Like both Plato and Aristotle, most past management writers evidently believed that the prime human driving force behind civilised progress is the rational intellect. They therefore tended to see the source of improved managing as lying in the academic-style working theories, which could then be taught step-by-step to practising executives.

The result was usually an exaggeratedly tidy, pigeonholed portrayal of managers' activities on the lines of Fayol's definition of their five essential functions. That sort of portrayal did not and will never fit the reality, nor did it seem recognisable, let alone helpful, to most people working as managers.

For example, the stress of the job often sends them home fit to do nothing but slouch in a chair and complain to their spouses about the dreadful things they have gone through. But it would be an odd executive who opened the tirade by saying: "D'you know what's happened today? I've had an absolute bellyful of planning, organising, commanding, co-ordinating and controlling..." Real managers talk about their jobs in much more human terms. The reason is that the work is fundamentally human in nature. It does not consist only, or even largely, of solving already identified problems by the application of logical processes based on quasi-factual knowledge, as numerous management writers apparently assumed in the past. The key task is usually to find out what problems might usefully be tackled in the first place. Hence their typical preference for spoken words at the expense of the written variety. Their survival in the job depends on their knowing what is going on now, and conversations laced with questions and answers yield information fast and flexibly. The best of the new gurus—such as Peters and Waterman, the authors of "Excellence"—still emphasise the value of broader and more factual information as well as logical thinking. But they seem at last also to have acknowledged the essentially intuitive aspects of good management in practice. By doing so, if in nothing else, they can claim to have achieved something new. In endorsing intuitive action—by which they of course mean something poles apart from panic action—they may even have opened western doors to a touch of eastern philosophy. The implication that executives are always wrong to act in intellectual ignorance of a situation, so matter how sharp their hunch or great their experience, is directly in line with western academic tradition. But Confucius viewed ignorance as a positive force, provided that people recognise where the inevitable gaps in their knowledge lie. It is impossible to be wise, he said, without being aware not only of what you do know but also of what you don't. Many western leaders' mistakes—in politics as well as business—result less from ignorance of the real facts than from their ignorance of their own ignorance. So a bit of Confucian wisdom could be a great blessing. This is the third in a series of articles on business gurus. The first two appeared on June 30 and July 2. The fourth will be published next Monday, July 14.

Management abstracts

A Ten-point Guide to Buyout Success. T. Grundy in *Accountancy* (UK), January 1986 (2 pages).

Offers reasons for considering a management buyout and discusses questions which must be answered by participants to framing buy-out. The points include clearance before negotiations begin, for discussions with third parties (eg customers, work-force), team membership, drawing up a business plan, and negotiations with advisers, customers, suppliers, the vendor and financiers.

Diversification as a Factor in UK Industrial Strategy. J. Constable in *Log Range Planning* (UK), February 1986 (8 pages).

Shows that the UK has had the highest rate of diversification among large companies in the leading industrial nations since 1960, and that this diversification has largely been achieved through acquisition; suggests that this has not produced dominant international businesses and has left a weakened small company sector; argues that the emphasis ought to have been on effective internal development rather than on acquisition and apparent growth.

Factors Which Influence Quality Circles Success. B. G. Dale & J. Lees in *International Journal of Operations & Production Management* (UK) (12 pages).

Analyses quality circle data (obtained from over 100 manufacturing companies over the past four years) to classify programme's success, failure or survival. Establishes factors important to long-term success, including the adherence to circle rules, the ability of circle members to work together, a "total" organisational approach to quality, and in-depth understanding of quality management; concludes that the lack of clear-cut differences between success, failure and survival is revealing. Emphasises that companies with well-rooted and flourishing programmes started circles as part of a strategy for employee development and participation, rather than for cost-saving reasons.

These abstracts are condensed from the abstracting journals published by *Management Publications*. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and postage) from *mas*, PO Box 23, Wembley HA3 8DL.




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INTERNATIONAL APPOINTMENTS

National Steel board moves include president

BY OUR FINANCIAL STAFF

MR KOKICHI HAGIWARA has been appointed president of National Steel, the Pittsburgh-based concern owned jointly by National Intergroup of the US and Nippon Kokan of Japan.

National Intergroup sold a half interest in National Steel to Nippon Kokan in 1984, and has been pursuing a diversification path aimed at taking it out of the metals field. Earlier this year, it agreed a \$350m bid for

FoxMeyer, the Denver-based pharmaceuticals concern.

Mr Hagiwara, 62, has already taken up his new duties, although he does not arrive in Pittsburgh from Nippon Kokan's Tokyo office until Thursday. Nippon Kokan has also brought Mr Sachio Hatori, 61, into the post of vice chairman of National Steel, in place of Mr Haruki Kamiya, who moves to become chairman of

other Nippon Kokan subsidiaries.

Mr Seiji Muto, 56, also joins the National Steel board. Mr Yukio Tani has left the board to become managing director of Nippon Kokan's steel division, based in Tokyo.

Mr Sosuke Doi has resigned from the board of National Steel, but will remain executive vice-president.

Mr Howard M. Love, the chairman of National Intergroup, continues as chairman.

Salomon Brothers global role

SALOMON BROTHERS, the Wall Street investment house, has retained an expert in the marketing of Japanese equity securities for its Tokyo affiliate in a move to increase its global coverage of international equity markets, reports Reuter from New York.

Salomon has appointed Mr Toshitake Sakamoto, formerly in charge of marketing Japanese equity securities to Tokyo-based institutions overseas for Yamaichi Securities Company — one of the Big Four Japanese securities houses — to the post of vice president at Salomon Brothers Asia.

Salomon sought unsuccessfully to become one of the first foreign firms to buy a seat on the Tokyo Stock Exchange late last year.

After losing its bid, Salomon announced its intention to continue its efforts to increase its presence in the equities markets in Tokyo and said it would press to obtain a seat on the exchange later.

In retaining a prominent Japanese equities salesman, Salomon is following the path of Japanese concerns seeking to break into the US securities markets.

The four largest Japanese houses have retained prominent US bond traders and analysts,

including former officials of the Federal Reserve and Treasury, as part of their efforts to become primary dealers in government bonds here.

Mr Simon Gerard Thomas has also joined Salomon Brothers Asia, as an international equity analyst responsible for pharmaceutical and foodstuff coverage, as part of Salomon's move to increase coverage of international equity markets.

Mr Thomas, 27, was an analyst in the International Research Department of Sanyo Securities in Tokyo, from 1981 to 1985, and more recently, was associated with Henderson Administration in London.

Mr Sakae Nakamura, chief representative of the Bahrain representative office, has moved to Daiwa Europe in London. He is succeeded by Mr Eiji Suzuki, deputy general manager, Daiwa Europe.

Mr Tadanori Urabe, chief representative, Sao Paulo representative office, has been assigned to the corporate finance department of Daiwa Securities America in New York. Mr Hidehiro Katsumata, international investment banking department, succeeds Mr Urabe in Sao Paulo.

Mr Masayasu Ohi, chief representative of the Brussels representative office, moves to Paris to succeed Mr Mogi. Mr Hiroyuki Yoshizumi, assistant general manager, international investment services department becomes chief representative of

New chief for Daiwa Europe

DAIWA SECURITIES Company, the Japanese securities house, has appointed Mr Minoru Mori, general manager of the international investment banking departments, as managing director of Daiwa Europe in London, in succession to Mr Katuhiko Fujimoto, who returns to Tokyo to assume the position left by Mr Mori.

At the same time, Mr Masaomi Mogi, chief representative of the Paris representative office, has been transferred to the Research Department in Tokyo as general manager, succeeding Mr Akio Kohno, who returns to the Daiwa Securities Research Institute.

Mr Richard Cheney, 64, as chairman-elect, to succeed Mr Loet A. Velmans when Mr Velmans retires on January 1.

Mr Cheney, who joined Hill & Knowlton in 1960 and is currently vice-chairman of the worldwide operations and chairman of its US operations, is acknowledged to have been one of the pioneers of the use of public relations during mergers and acquisitions battles. He will be Hill & Knowlton's sixth chairman in its 60-year history.

Top change in ATT and Philips venture

AMERICAN TELEPHONE and Telegraph Company has announced the appointment of Mr Eugene J. Eckel president and chief executive officer of AT & T and Philips, its telecommunications-equipment joint venture with NV Philips, of the Netherlands, from August 1.

Mr Eckel, 52, is currently vice president of manufacturing of AT & T's network systems unit. He succeeds Mr Alexander C. Stark Jr., 53, who returns to the US to become a senior vice president of AT & T Communications and Information Systems.

Mr Stark will report to Mr Sam R. Willcoxon, president of AT & T's business markets group, which under a recent reorganisation is charged with developing and selling long-distance services, computer and telecommunications putters and businesses with more than 60 phone lines.

American Motors Canada switch

AMERICAN MOTORS Canada, wholly owned by American Motors Corporation of Wisconsin, the fourth largest US car maker, has appointed Mr Ronald Hogue president, in succession to Mr William Carroll, who has been appointed North American general sales manager, reports Reuter from Brampton, Ontario.

Mr Hogue was formerly American Motors' director of North American dealer investment.

Emery Air Freight European sales post

EMERY AIR FREIGHT Corporation has announced the appointment of Mr Jan Schenkels as sales manager at its European headquarters in Zurich. Mr Schenkels joins Emery's European sector office from the corporation's headquarters in Wilton, Connecticut.

Emery has recently completed a review of its product range and has launched new services on a worldwide basis. The moves are associated with Emery expanding its courier express market in Europe.

American Petrofina

AMERICAN PETROFINA, the offshoot of the Belgian-based oil and energy group has elected Mr Kenneth W. Perry president and chief executive officer, to succeed Mr Paul D. Meek.

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Mortgage bonds and debentures	2,508	+ 9.71%
Net worth and allowances for possible credit losses	2,887	+ 29.22%
Total sources of funds	39,421	+ 13.58%
Loans and advances to customers	11,101	+ 18.30%
Security holdings	10,263	- 11.63%
Net income for the year	179	+193.01%



The MPS Banking Group is composed of Monte dei Paschi di Siena, Banca Toscana, Credito Commerciale, Credito Lombardo and Italian International Bank PLC. The total sources of funds at year end 1985 amounted to approximately Lit. 51,000 billion, the net worth was Lit. 4,535 billion.

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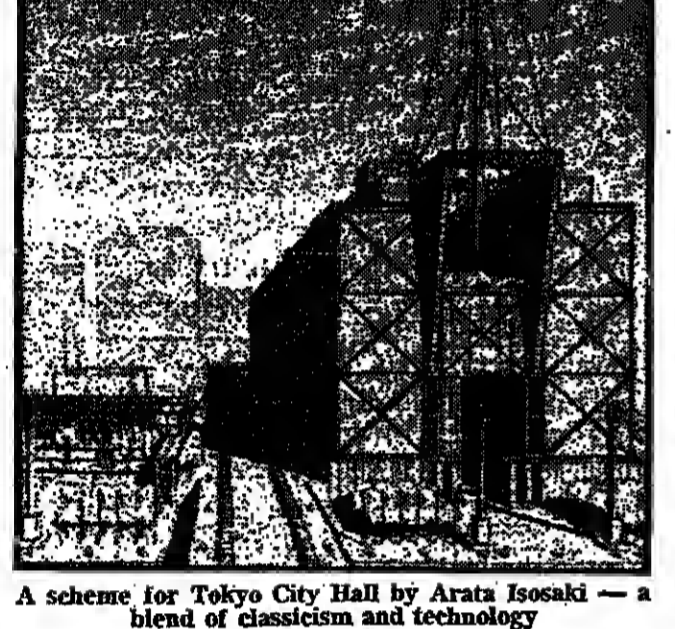
THE ARTS

Architecture/Colin Amery

Profession honours Isosaki

The award of the Royal Gold Medal for Architecture, since it was established by Queen Victoria in 1848, has always been given to the most remarkable architects from all over the world. However, many of the names on the list are now forgotten. Who thinks of August Stüler of Germany or Frank Darling of Canada any more? More recently, who can picture in his mind's eye one single building by the winner of the medal in 1963, the late Lord Holford?

Luckily for all of us, Isosaki recovered from this phase, although, rightly, he did not reject its better elements. Today his work is rather hybrid. One of Isosaki's latest works will be on show later this week at the SH Gallery (for details telephone 498 8555, 26 Cranmer Street, London W1).



A scheme for Tokyo City Hall by Arata Isozaki — a blend of classicism and technology

I'm Not Rappaport/Apollo

Michael Coveney

Two old men on a park bench in New York. Both in their eighties. Nat recalls that the last time he made love was July 10 1972. Midge looks interested. "Was your wife still alive?" he asks. "I certainly hope so."

Architecture/Colin Amery

Colin Amery

Architecture, and in his work he bridges most convincingly the differences between East and West. After graduation he worked for some years in Tokyo for the great 20th century Japanese architect Kenzo Tange. Tange was never afraid of monumental expressionism. His buildings for the 1964 Tokyo Olympic Games showed that it was possible—at least in Japan—to use modern technology in a brilliantly expressive way. The great interwoven curves of the Olympic stadia celebrated the tensile nature of the industrial components. It somehow seemed appropriate that Kenzo Tange and his team, of which Isosaki was a prominent member, should find a form that responded to the economic miracle that was the great achievement of contemporary Japan.

industrial cities. Looking back on some of their designs of that period, in the 1960s, it is possible to see some terrifying, inhuman visions. Both Tange and Isosaki were close to a group of Japanese urbanists who called themselves the "Metabolists." Their great theories wanted architecture to reflect what they called "dynamic reality." They felt that architecture should no longer deal with simple things like form and function. Instead they wanted their creations to be totally concerned with the idea of flexible space.

Isosaki designed at this phase of his career some groups of apartments that resembled nothing more than giant mushroom rooms. Sprouting from the underside of these strange fungi were pod-like nodules where the unfortunate inhabitants had to live. Metabolism had a great deal to do with movement. Cities, and even architecture, were to be mobile and indeterminate.

Conventionally Porgy wisdom holds that, in pursuing his stated aim of combining Gershwin with Messiaen, he and Boris Godunov, Louise, The Firebird, Daphnis and Chloe, The Cenci, Kouska, and Wozzeck. Gershwin overreached his compositional technique; that wonderful passages are crudely joined together. The writing is full of ones; and that because of these musical disparities the dramatic progression tends to give way to a succession of loose episodes.

Architecture/Colin Amery

Colin Amery

With Italian music taking over the Almeida for the last week of the festival, on Thursday Giacinto Scelsi yielded to Sylvano Bussotti as the Italian "Master" (the Almeida's term) in residence. The Arditti Quartet were the performers, and the first volume of Scelsi's generally generous triple-decker programme dipped a modest toe into the exotic, over-heated world of Bussotti.

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Porgy and Bess/Glyndebourne

Max Loppert



The Crap Game—left to right: Gregg Baker, Bruce Hubbard and Willard White

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Bussotti/Almeida Festival

Andrew Clements

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Verdi Requiem/Albert Hall

Max Loppert

Friday's lucid, expertly prepared Verdi Requiem was mounted to celebrate the Royal Philharmonic Society's forthcoming 175th season (and in aid of the RPS charity fund). Lorin Maazel made an appearance in the role of the choir conductor, conducted a massive and excellent choir combined from Royal Choral Society, London Symphony, and London Philharmonic forces; the orchestra was the Philharmonia.

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Arts Guide for July 4-10. Lists various music events across different cities: London (London Philharmonic Orchestra, London Chamber Orchestra), Brussels (Festival of Wallonia), Vienna (Budapest Symphony Orchestra), Tokyo (Frederica von Stade), and others. Includes details about the Almeida Festival and other local performances.

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exaggerated playing and singing of Marietta Simpson. Carolyn Blackwell (Clara) sings "Summertime" exquisitely, has a face of heart-breaking sweetness, and lights up the stage with every appearance. Cynthia Clisley's Serena, a little light in top notes, is a figure of unmistakable authority, and proud, erect presence. On Saturday, although Cynthia Haymon's voice was not always evenly produced, alluring phrases being followed by reticent ones (and her words were often unclear), she had judged Bess's difficult character to move from vulgar exuberance to tender frailty without ever sacrificing credibility or sympathy.

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Rod Stewart/Wembley Stadium

Antony Thornecroft

Wembley Stadium is turning into the transit lounge of British football. It has become a place of tears (of relief?) for the departure of Wham; this weekend there were more heart-felt tears of emotion as we welcomed back Rod Stewart. It is surprising that the cocky coxcomb, with his obsessions about Scottish football and leggy blondes, should arouse such enthusiasm, but in his first British appearance in a decade he was quite superb.

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FINANCIAL TIMES BRACKEN HOUSE, CANNON STREET, LONDON EC4A 4BY

Flight from quality

LAST WEEK'S decision by the New York Stock Exchange to permit the listing of shares with unequal or no voting rights was not good news for the investment fraternity. But it was probably inevitable, and also symptomatic of the way the wind is blowing in securities markets across the world.

Nor is the process totally one-sided. The internationalisation of securities markets ought to provide the investor with improved liquidity. The question is whether that liquidity will prove durable, especially in new areas such as the Euro-equity market, and whether standards will not drop to the point where confidence in the integrity of markets starts to erode.

Improved liquidity It would probably be going too far to argue that deregulation has spawned a new version of Gresham's Law which had paper drives out good. The shift in the balance of power away from investors towards the corporate borrower or issuer is a welcome sign that the market is enhanced.

Orderly markets If that risk is to be avoided, co-ordination between different national regulatory authorities, especially in relation to insider trading and fraud, is obviously desirable. Yet it is questionable whether international co-operation can be taken as far as the securities area, as in banking. Agreements on the part of last year arrangements under the auspices of the Basel-based Bank for International Settlements reflect the perception of a common interest in order to win international business from competing financial centres.

Water under the bridge

THE BRITISH Government's decision to postpone the privatisation of the water industry is welcome to a number of ways. Water was never the most obvious resource to privatise in the first place. Because it is a commodity by which everyone is affected, it arouses a sort of emotional attachment. The necessary legislation would have been complex and contentious and would have taken a great deal of parliamentary time in what might be the last session before the next general election. The House of Lords would almost certainly have put its oar in, causing yet more embarrasments for government.

Lech Walesa can evoke sympathy but has no political clout

Increasing wages, has maintained a social peace. Real wages have been rising at an annual rate of 4 per cent so far this year. Mr Lech Walesa, the Solidarity leader and Nobel Peace Prize winner, living in Gdansk, is still able to evoke sympathy but he has no political clout. His calls in statements channelled via the underground for dialogue with the authorities, who refused to respond, have grown weaker and fewer. And the underground leadership too has suffered recurring blows, culminating in the arrest on May 31 of Mr Zbigniew Bukaj, the Warsaw Solidarity chief, who had managed to evade capture for four and a half years.

Seminal case Sir Geoffrey Howe, the Foreign Secretary and a member of the strategy committee, was honest enough to admit in a speech last week that the Conservatives have only half-fulfilled the ambitions they had when they came to power in 1979. "Recovering lost ground," he said, "is never as easy as losing it. Britain had spent many years sliding down the league of international prosperity. Today our relative decline has been arrested. But we are still failing to grasp our chances of climbing back up the international performance league."

So it is not surprising that Melamed should be worried about mutterings in Congress in favour of a return to a Bretton Woods-type system of fixed exchange rates. Senator Bill Bradley, Democrat, and Republican presidential campaign, are among those arguing for such a system as a way to cut the trade deficit. Fixed rates would kill currency futures, which like all futures markets thrive on volatility—stone dead.

GENERAL JARUZELSKI'S POLAND

When only change can save the status quo

By Christopher Bobinski in Warsaw



Two faces of Jaruzelski: smiling with Mr Gorbachev (left) and the stern military leader

SINCE THE last war Poland's Communist leaders have managed to hold on to power for an average of 12 years before strikes and demonstrations, internal party intrigues, or both, have pushed them out of office. Complacency has tended to set in at around the middle of their term, allowing them to rule on, oblivious to the approaching crisis.

It is a lesson which General Wojciech Jaruzelski, re-elected as Polish party leader at a congress last week, and who starts his sixth year in power this autumn, seems to have learned well. There was little that was complacent about his speeches to the five-day meeting in Warsaw's ornate Stalinist-style Palace of Culture, nor in the addresses of many of the delegates.

Satisfaction over what has already been accomplished is accompanied by an awareness of shortcomings. We still face the difficulties of daily life. We still experience the heritage of traumas, disappointments and mistrust," the General told the congress in his keynote speech.

There is no doubt that the party was in disarray during the winter of 1981 when General Jaruzelski brought the army on to the snow-covered streets and interned the Solidarity leadership. The subsequent years saw a cautious releasing of the free trade union activists as their calls for token strikes and demonstrations evoked less and less of a response. The combined efforts of the riot squads and plainclothes police, as well as a conscious if inflationary effort to compensate the great mass of workers for price rises by

together they still constitute the seeds of an alternative political culture, possibly of immense significance for the future. The underground distribution networks help to keep alive the links between like-minded people. But Solidarity's influence on the shop floor is minimal and will remain so for as long as the mass of workers continues to shun protest as too risky. In the meantime, some activists have gone into legal workers' industrial co-management councils while others have got involved in Catholic Church-sponsored workers' pastoral committees.

The powerful Catholic Church, led by the Primate Cardinal Jozef Glemp, who this year celebrates five years in office, is still able to evoke sympathy but he has no political clout. His calls in statements channelled via the underground for dialogue with the authorities, who refused to respond, have grown weaker and fewer. And the underground leadership too has suffered recurring blows, culminating in the arrest on May 31 of Mr Zbigniew Bukaj, the Warsaw Solidarity chief, who had managed to evade capture for four and a half years.

For the moment Solidarity is little more than an impressive array of clandestine weekly publications and books. Taken together they still constitute the seeds of an alternative political culture, possibly of immense significance for the future. The underground distribution networks help to keep alive the links between like-minded people. But Solidarity's influence on the shop floor is minimal and will remain so for as long as the mass of workers continues to shun protest as too risky. In the meantime, some activists have gone into legal workers' industrial co-management councils while others have got involved in Catholic Church-sponsored workers' pastoral committees.

An eye to the futures

Leo Melamed is widely seen as the father of currency futures and is never backward about extolling their virtues. In his ardent tub-thumping in support of the Chicago Mercantile Exchange, he has even been known to trace the development of futures markets back to biblical times. The CME is the biggest marketplace for currency futures, and he is a key figure there.

Men and Matters

Exchange Rates—ACFX for short. ACFX sees itself as an educational forum rather than as a lobbying group. The list of names it has mustered includes Henry Reuss, former chairman of the House Banking Committee, a former chairman of the Council of Economic Advisers, Herbert Stein and Murray Weidenbaum, former Treasury Secretary William Simon, as well as top bankers and economists.

On board

Midland Bank is fast becoming the most international of the UK clearing banks. After recently appointing a Japanese as one of its senior corporate executives, it has now voted two foreigners on to its 20-strong board. They are Ernst Brutsche and Herve de Germany who, together, are believed to represent the largest foreign contingent ever to appear at the top of a British clearing bank.

City bound

"I think any financial academic would find the chance of a place in the markets over the next two or three years irresistible. There are going to be major changes and it is going to be very exciting." Thus, Prof Desmond Fitzgerald on his decision to give up the chair of Finance at Strathclyde University after a year to join Alexandars Lalag and Cruickshank, the investment banking arm of John Barclays' Merchant Bank.

BASE LENDING RATES

Table with 2 columns: Bank Name and Rate. Includes ABN Bank, Allied Dunbar & Co, Allied Irish Bank, American Express Bank, Amro Bank, etc.

Men and Matters

with the Polish-born Pope John Paul II before his visit to Poland next year. Nevertheless the changes in economic policy previewed by General Jaruzelski at the congress raise the prospect of renewed tension.

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Brutsche, a 48-year-old German, is in charge of group treasury, which includes the Big Bang operations Midland is putting together through Samuel Montagu, its merchant bank, and Greenwell, its stockbroking arm. "My appointment is a recognition of the growing importance of investment banking," said Brutsche who came to Midland through Trinkaus and Burkhart, the German bank Midland bought in 1980.

Brutsche has made his home in London, though he travels to Germany several times a month to visit Trinkaus in Dusseldorf, and to call on his family in Munich (where he was this week-end). Wiry and precise, Brutsche has spent the

last three years building up Midland's dealing side. He owes his move to Midland to de Larosiere, the tall, bespectacled Frenchman, also based in London, who heads Midland's international side and helped organise the Trinkhaus purchase. De Larosiere, who is 49, came to Midland in 1978 after 15 years with Chase Manhattan. He describes his elevation to the board to the £120m rise in Midland's international profits in the last three years (excluding the Cretcher disaster which was not handled by his department).

For despite the crushing of Solidarity, Poland's ruling Communist party still must deal with the two problems which

gave rise to that movement, and which at some future date threatens a renewal of unrest. These are the demand for better living conditions, fuelled by the not so distant West, and for limits to be placed on the multiplying political monopoly of the party itself. On the economic side Poland's return as a member of the International Monetary Fund last month brings the promise of credits over the next few years, but also the prospect of demands by the Fund for market-orientated economic policies. This, coming from the West, will be easier to sell to a distrustful populace. Not to be underestimated also is the strength of support which the Soviet leader, Mikhail Gorbachev extended to General Jaruzelski at last week's congress. He spoke more strongly than any previous Soviet leader in favour of change in the Socialist bloc and warned that failure to modify economic and political methods in time could lead to crises such as that which racked Poland in 1981. As long as the Soviet leader maintains this line, the General will have greater freedom of manoeuvre on the political front for the institutional changes which he has introduced thus far. Though seen as greatly inadequate by the mass of the population, had been regarded by East European conservatives with suspicion. "They don't like novelties" one experienced party member remarked. And all the indications thus far are that on the political front, the General is sticking to his gradual approach. The amnesty he is planning for political prisoners this month looks as if it could cover only the smaller fry among the three hundred or so detainees, leaving Solidarity's underground leaders in prison. But approaches in the past two months to independent Catholic leaders to join a new official advisory council have raised hopes of renewed dialogue. The Catholics are holding out for a total amnesty as a condition of participation. The Bishops, after

The strength of Gorbachev's support cannot be underestimated

their recent conference, have called for political changes which would give Solidarity some legal role, thus eliminating the problem of political prisoners. There is little hope that such calls will be heeded, but the promotion of a congress of Mr Stanislaw Ciosek to the post of Communist party secretary shows that the General is willing to tolerate unconventional approaches. In 1981 Mr Ciosek, then Minister in charge of relations with the trade unions, was one of the few government officials able to find a common language with the Solidarity movement. His caution, has emerged from the congress as a conservative aware that only change can maintain the basic outlines of the system and that failure to do so would increase the threat of another upheaval.

Observer

FINANCIAL TIMES

Monday July 7 1986



Hilary Barnes assesses the record of a fragile four-way coalition

Danish balancing act begins to falter

ON SEPTEMBER 10, Mr Poul Schlüter's four-party minority government is due to celebrate four years in office, the longest stretch served by a Danish non-socialist government since the 1920s.

But while the domestic economy is in better shape and the government's achievements include halving annual wage increases from 10 to 5 per cent, the balance of payments problem has got steadily worse as the domestic boom has sucked in imports and retarded exports.

The government hopes the external deficit is about to begin to improve. Last December it took Dkr 8bn out of circulation, mainly by cutting local government investment, and in March it increased taxes by Dkr 10bn, primarily through a sharp increase in energy taxes to offset falling oil prices.

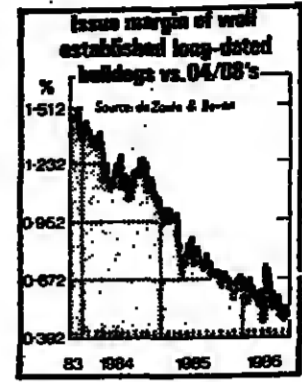
Critics also say that beyond the task of "economic reconstruction," the government lacks vision and has little idea where it is going. The government, meanwhile, must be disappointed that, despite the big domestic economic improvements, opinion polls point to the election, for only the second time, of an absolute majority for Denmark's socialist parties.

The next election must be held in January 1988 at the latest. Mr Schlüter has said that the Government will spend the summer working out an offensive strategy, including a business industrial policy "with clout" to help improve the export performance.

THE LEX COLUMN

Bulldogs off the leash

The small detonation should be heard in the fixed interest markets this morning as the trade in bulldogs - sterling bonds issued in London by foreign borrowers - moves to dual capacity.



No doubt any qualms that front will be soothed if investors expect an adequate return on their money. If the figures in the prospectus from News on Sunday Publishing prove attainable and profits of nearly £3m are made in the year to March 1990, investors may expect a compound 35 per cent rate of return by the end of the third full year.

Channel Islands swamped by cars

FORD, the UK subsidiary of the US motor group, and Austin Rover, the volume car subsidiary of Britain's state-owned BL, have become involved in a row in the Channel Islands, where independent motor traders are criticising them for registering extraordinarily large numbers of cars for hire.

Church of England has £300m indirect investment in S. Africa

THE CHURCH of England, whose General Synod - its governing body - debates South Africa this morning, has nearly £300m (£422m) of indirect investment in South Africa, including £21m in four British companies which pay black workers less than the target cash wage recommended by the EEC code of conduct.

A small number of other companies do not even comply with the reporting requirement under the EEC code of conduct, so their minimum pay levels are not known. In a new report prepared in advance of today's General Synod debate, Eiris said there were four such British companies - Trusthouse Forte, Siebe, Snn Alliance and Vantona Viyella. The Church Commissioners have investments in each of these companies.

The research statistics show that of the 33 British capital goods companies in which the Church Commissioners have investments of over £1m, only 10 are listed as having no connections with South Africa as of December - Amersham International, Bramper, Coalite Group, Costain Group, Electrocomponents, English China Clays, Magnet and Southern, Mowlem, RMC Group, and Sleafley. Smiths Industries, in a £3.3m investment, is reported to have withdrawn its investment from South Africa.

Skirmishes as Ulster marching begins

THE ROYAL Ulster Constabulary (RUC) and Protestant loyalist marchers fought a number of skirmishes yesterday as a huge police and British army presence was called out in Portadown, County Armagh, to keep order during an Orange Lodge church parade through two predominantly nationalist areas of the town.

Financial Services

The parliamentary draftmen probably did not do a job on the Financial Services Bill than the average piece of legislation emerging from their office. But even now there is much wrong that ought to be sorted out in the House of Lords, where the bill is due to arrive this week.

News on Sunday

The image of newspaper ownership as an expensive pastime of the rich and would-be influential is so deep-rooted that it has not yet been completely eradicated by the revolution that is taking place in Fleet Street. The share prices of the quoted groups are beginning to see the

Howe mission to S. Africa in jeopardy

Mr Julius Olsen, president of the Jersey Motor Trades Association, after a meeting with Mr Fillet last week, acknowledged that Ford, Austin and the large hire companies were acting legally in registering the cars.

Holtzbrinck bids \$52m for Scientific American

VERLAGSGRUPPE Georg von Holtzbrinck, West Germany's second biggest publishing group, has offered to buy Scientific American, the US publisher of one of the world's most famous science magazines, for \$52m.

UK to consider radical plan for inner cities

The likely site for Birmingham's new UDC would be in the Aston and Nechells area close to Handsworth, which suffered serious rioting last year. Birmingham insists it has the necessary expertise and can best deal with redevelopment.

UK to consider radical plan for inner cities

One idea being explored in Birmingham is to use the Business Expansion Scheme - the scheme which gives tax concessions for investment in new ventures - for urban renewal projects.

UK to consider radical plan for inner cities

Trouble began when several senior RUC officers were ejected amid scuffles from an Orange hall in the centre of town where they were attempting to negotiate with march leaders over marshalling the parade, which was joined by more than 1,000 men in orange sashes led by a pipe band.

Table with weather forecasts for various cities including London, Edinburgh, Glasgow, and others.

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Advertisement for BIG BANG featuring MCOLL STEWART McCOLL ASSOCIATES PLC. Text includes: 'Are you ready for it? As from October 27th, competition in the financial markets will be even more intense. Look around. Are your offices well designed for maximum productivity...'

FINANCIAL TIMES SURVEY

West German BANKING, FINANCE AND INVESTMENT

Profits are booming: but have German banks got what it takes to compete in the world game? Native caution could prove a disadvantage - yet it could also help them avoid costly errors.

Well set to win new business

By Jonathan Carr in Frankfurt

ON THE FACE of it, the West German banks are doing rather too well for their own good. Their booming profits have recently reawakened the old domestic debate about whether the banks are too rich and powerful.

In truth, however, the argument is rather beside the point. The really acute question is whether the banks, despite their present strong showing, have what it takes to be successful players against ever tougher competition in fast-changing world markets.

The debate about the power of the banks tends to be influenced by the business cycle, intensifying when the economy improves and receding when it gets worse. In the last recession little was heard about the banks' power. Much more was heard about their awkward responsibility for hauling out floundering companies and debt-ridden countries.

Now the boot is on the other foot. For the past few years the banks have enjoyed an almost ideal constellation at home. Steady economic growth and falling interest rates have helped to heal the corporate sector as well as offering the banks the chance to cut funding costs faster than lending rates. The once-ridiculed German stock market has grown in diversity and size. Last year, it even exceeded London's in turnover terms, although it remains well behind New York and Tokyo.

Moreover, and not unconnected with the other two developments mentioned, West

Germany has had a centre-right Government, dedicated to curbing state borrowing and encouraging business. Naturally, bankers and industrialists grumble that the government has not fulfilled all their hopes, but they know in their hearts that they can hardly expect a better one.

Frankly, bankers who failed to prosper under these conditions should probably consider leaving the profession. In fact, most have done well. Earnings have soared, enabling banks greatly to strengthen their capital and reserves.

By general consent, the German banks are among the best padded in the world against new shocks from the debt crisis, but because of their "hidden" reserves it is hard to find out just how well padded they really are.

Even the tougher capital-to-lending ratios of the newly-revised West German credit law are giving few banks trouble. A year or two ago the proposed rules were a source of worry and some banks fought hard to ensure there would be a lengthy transitional period before the new ratios had to be applied in full.

Nowadays this is no more an urgent discussion topic than the debt problem which simmers menacingly in the background but rarely flares up. The German banks, rather late in the day, gave their support in principle to the US Baker Plan—and that, for the present, is that.

Besides all this the Bundesbank (central bank) has done quite a lot in the last two years to make the German capital market more attractive. It

successfully jolted the Government into dropping the coupon tax which foreigners had to pay on the interest they received from German domestic bond investment.

It also gave the green light to financial novelties like floating rate notes, zero coupon bonds and currency swaps which it had previously opposed. Most recently, it slightly relaxed its minimum reserve rules and allowed the introduction of D-Mark denominated Certificates of Deposit, although these have so far been cold-shouldered by the German banks.

The Bundesbank's motives are clear enough. It wants to boost the competitiveness of "Finanzplatz Deutschland" vis-à-vis foreign centres, thus encouraging new capital inflows and a buoyant D-Mark. This "further liberalisation" policy (as the Bundesbank likes to call it) to emphasise that the German capital market was pretty liberal even before) is something of a double-edged sword for the German banks.

It gives them domestic access to new instruments they did not have before but it also brings them tougher competition from foreign banks on their home territory.

The foreigners have been moving in strongly, attracted by the new opportunities, and have penetrated several of the bastions long held by the German banks alone. Most recently, foreign banks have been permitted to take part in the Federal bond consortiums (which place government, post and railway bonds) with a 20 per cent quota which German banks claim is excessive. Just over a year ago the

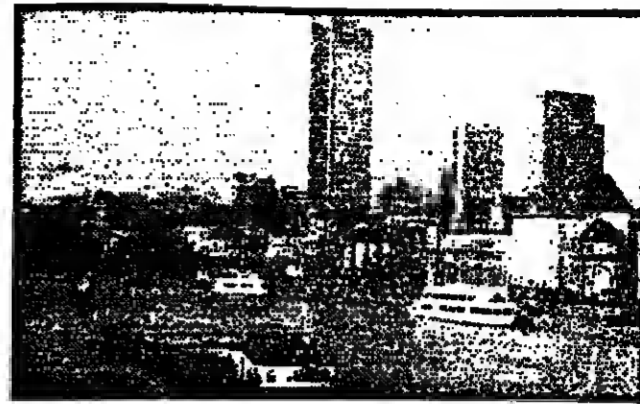
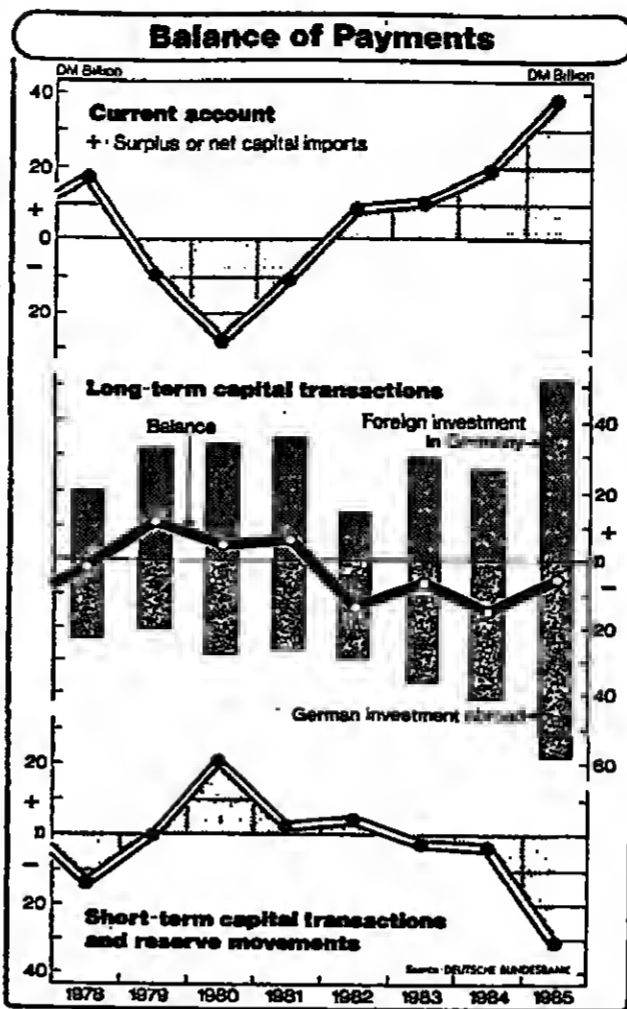
foreign banks were also allowed to lead-manage D-Mark Eurobond issues, lucrative business which foreigners denied them. Only the Japanese are likely to be allowed to lead-manage in a few months' time.

The bond-issuing business catches a lot of the headlines these days but there is another field where the German banks may feel the pinch of foreign competition more strongly in due course. That is in the battle for business with the "Mittelstand"—medium-sized, often family-run businesses which have plenty of ideas but often need financial advice as well as funds.

Here the three biggest Swiss banks, all of which are now established in Germany, may give the domestic banks a lot to think about. That applies above all in southern Germany, where the Mittelstand especially flourishes—just across the Swiss frontier.

It might seem absurd to suggest that the well-entrenched German banks have much to fear, with their branches all over the country from Flensburg in the far North to Garmisch-Partenkirchen in the south. But all those branches show up one of the problems West Germany is already over-banked, with one full service branch for fewer than every 1,500 inhabitants (and the population is declining).

It is true that the German Antitrust Act looks anachronistically overprotective of the banking sector as a whole, compared with other industries. But



Banking towers across the River Main... the financial district of Frankfurt

Top 10 West German banks

	World Group balance sheet totals in DM bn	1985	1984
1 Deutsche Bank AG, Frankfurt	242,700.0	232,300.0	
2 Dresdner Bank, Frankfurt/M.	188,664.0	174,723.0	
3 Westdeutsche Landesbank Girozentrale, Düsseldorf	142,109.0	141,494.0	
4 Commerzbank, Frankfurt/M.	137,224.0	122,687.0	
5 Bayerische Vereinsbank, Mü.	132,399.0	124,160.0	
6 Bayerische Hypotheken- und Wechselbank, München	112,640.0	105,137.0	
7 Bayerische Landesbank, Girozentrale, München	108,271.0	104,825.0	
8 DG Bank, Deutsche Genossenschaftsbank, Frankfurt	103,745.0	83,240.0	
9 Norddeutsche Landesbank Girozentrale, Hannover + Braunschweig	92,615.1	88,178.9	
10 Kreditanstalt f. Wiederaufbau	85,769.0	78,538.0	

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underwrite securities and make mergers and acquisitions—all "under one roof" as it were. Now "big bang" and lesser upheavals across the world are breaking up the old structures and the "universal" system looks more like a model than a source of outrageous privilege. In a sense, the Germans were already ready for take-off when others were redesigning their rockets.

In practice the German banks have neither been quick to expand geographically nor nimble in making use of new financial instruments. Naturally there are exceptions. German banks long ago set up shop in force in Luxembourg driven there by the Bundesbank's minimum reserve rules. Several have already braved the wearying negotiations needed to open (partly-owned) securities operations in Tokyo and others will follow.

Deutsche Bank, most strikingly, moved all its non-D-Mark Eurobond business from Frankfurt to London, an act which, perhaps more than anything else, shocked the Bundesbank into its new liberalisation programme at home. But compared with the size of the West German economy and trading interests, as well as the pace of financial development worldwide, the banks' activities have been relatively modest.

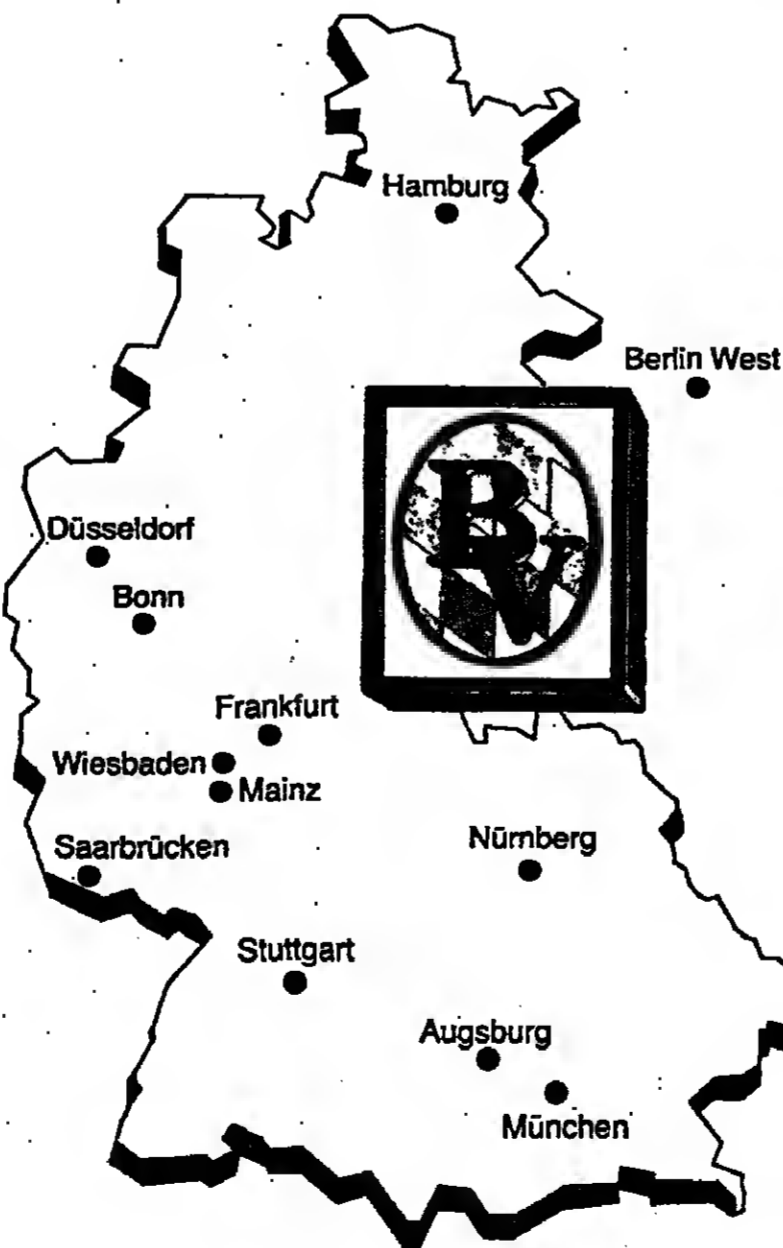
There are probably two reasons for this. One is that the banks were in any event slow to venture abroad again after the 1939-45 war. After all, the big German banks were split up by the Allies and it took time to regain a unified structure. When the banks finally went abroad again they did so cautiously and often in co-operation with wider European banking groups.

That is changing. Witness Deutsche Bank's moves to take over step-by-step the European Asian Bank which it previously

CONTINUED ON PAGE 2

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London Branch
1, Royal Exchange Buildings, GB-London EC3V 3LD
Telephone (01) 626 1301, Telex 889 196 bvlg

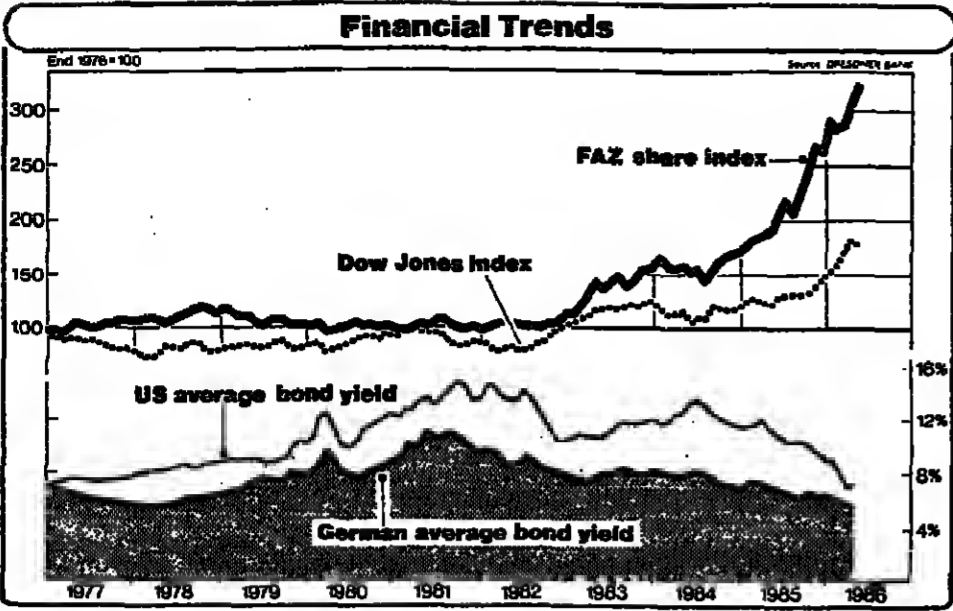
Bayerische Vereinsbank AG
Head Office - International Division
Kardinal-Faulhaber-Strasse 1, D-8000 München 2
Telephone (089) 2132-6147, Telex 52 108-0 bvmd

BAYERISCHE VEREINSBANK
AKTIENGESELLSCHAFT

WEST GERMAN Banking, Finance & Investment 3

The Stock Market

The wallflower takes third place



Privatisation

The windows are ajar

IN WEST GERMANY all things are relative. The present centre-right coalition took office in October 1982, committed to a forthright free-market approach to the economy, centred on ambitious plans to cut the state's direct involvement in industry by a major programme of "privatisation," and to breathe new life into the country's ailing financial markets.

Three-and-a-half years on, and barely seven months before new general elections, its record by international standards is mixed at best.

A measure of privatisation has been achieved, and the windows of the markets have been opened a little. But the results are modest indeed when set against the sale of state holdings forced through by a Conservative government in Britain, or if compared to the Big Bang for which the City of London is bracing itself this autumn.

So far, Mr Gerhard Stoltenberg, the Finance Minister, has succeeded in reducing only two of the Government's major holdings in German industry. In 1984, Bonn netted DM 800m when it sold off 14 per cent of its stake in the energy conglomerate Veba, leaving the state with around 50 per cent.

The real test came a long time ago. Mr Stoltenberg wanted to cut the Federal Government's interest in Lufthansa, the national airline, to 55 per cent from the present 74 per cent. But this move, long seen as a litmus test of his seriousness of purpose, was blocked by objections from Mr Franz Josef Strauss, the powerful Prime Minister of Bavaria. Finally, this spring, his campaign regained momentum with announcement of plans to sell off 40 per cent of Wag, the state-owned chemical, energy and aluminium concern, for around DM 750m.

More, though, is promised later this year — and above all in 1987 and 1988. Bonn aims to sell 55 per cent of its present 95 per cent holding in Prakla-

Seismos, the Hanover-based oil and gas exploration company, and to hand over control of the IVG management conglomerate to the private sector.

Next year Mr Stoltenberg hopes to start on the disposal of the state's remaining minority holdings in the Volkswagen car company, and the energy group Veba, currently standing at 20 and 28.7 per cent respectively.

Between them, the stakes have a market value of some DM 6.8bn; and the DM 4.5bn of income the minister is anticipating in 1987 and 1988 will be vital if the public borrowing requirement is to be kept from increasing sharply.

Further ahead, part of the Salzgitter steel concern, the Government's largest single majority holding and now restored to financial health, could be sold off.

"We aim to privatise gradually other direct holdings of the government," Mr Stoltenberg says, promising a fresh round of sales if the centre-right retains power in January.

In fact, though, privatisation is of comparatively small importance in the grand design of broadening and strengthening the capital markets. The German Bundestag will not go the way of British Telecom, and the Government's steps have been eclipsed by other flotations, spurred by booming stock markets. The most ambitious of these, involving Feldmühle-Nobel (the rump of the former Flick group) is alone worth DM 2bn.

Theoretically of more fundamental relevance, in a country where state ownership of industry is comparatively limited, are plans to attract more venture capital, and encourage small, new, and often technologically innovative, concerns into the public arena — and, in the process, to create a more flexible stock market structure to receive them.

One prong of the assault is the proposed bill, with the

intimidating title of "Gesetz über Unternehmensbeteiligungs-gesellschaften" (or Law on Companies which take Equity Stakes in Enterprises), designed to encourage the public to put money into venture capital concerns, which then inject capital into small companies. But the safety provisions built into the bill are almost at odds with the flexibility and risk-taking spirit it is intended to foster — and in the view of many bankers the measure could prove counter-productive.

The requirement, for example, that such companies must have a capital of at least DM 2m and spread their investments among at least 10 different companies, may be fine as protection for the ordinary small investor. In practice, however, it may well mean that mainly big institutions like the already omnipotent banks will launch the new concerns, and quite possibly employ them as receptacles for holdings they already have in small businesses.

More legislation, which, like the venture capital proposals, is still before parliament, involves the creation of what amounts to an unlisted securities market along British lines.

This *Geregelter Markt* has been tailored to appeal to smaller companies, at present frightened away from the stock exchange by high listing costs and the exhaustive regulations which govern the official market.

But the progress of both bills, which went before the Bundestag in 1985, has been maddeningly slow. Finance ministry officials reckon they should be on the statute book by autumn. But their first fruits — not to mention the further doses of reformist tonic, promised by Mr Stoltenberg — may well have to await a centrist triumph next January. In the meantime, the chances are that West Germany's financial community will press on by itself.

Rupert Cornwell

MUCH IMPROVED—but must do better still! A fair judge is surely forced to give that verdict on the West German stock market in mid-1986.

Compared with the puny, lacklustre object of a few years ago, today's market positively scintillates; but it still falls well short of the kind of market you would expect to find in so highly developed an industrial economy.

Undeniably, the market has grown greatly in volume and diversity. Last year the turnover of all German stock exchanges together totalled DM 436bn, a rise of 79 per cent on the 1984 figure. Germans with mingled pride and astonishment, that this makes their market the third biggest in the world in turnover terms, following New York and Tokyo but in front of London.

A few years ago this result would have seemed unattainable. The German market seemed doomed to stay an unattractive wallflower at the world stock exchange hall, gloomily predictable and courted in the main by a few poorly German banks.

Nowadays there is a lot more to watch than familiar blue chips like the "big three" chemicals companies, Siemens (electronics) or Daimler-Benz (vehicles). There has certainly been no flood of companies "going public," but at least there has been a pretty steady stream. They include internationally-known names like Feldmühle-Nobel (the former Flick group), Henkel (detergents), Porsche (fast cars), Springer (publishing) and Nixdorf (computers), as well as a fair spread of smaller but lively enterprises.

At the start of this decade almost no new companies were

going to the house. In 1983 there were 12 with an issue volume of DM 318m, in 1984 more than a score with a volume of DM 1.7bn, and last year just 12 again—but with a volume of DM 1.8bn.

This year the DM 2bn Feldmühle-Nobel issue alone has ensured that volume in 1986 will be a record.

Naturally, the almost continuous bull market since the summer of 1982 has been a key factor, helping persuade companies to go to the house for the first time. That market upswing was caused by several things—including the switch to a centre-right government from one of the centre-left in late 1982, and an encouraging economic environment with steady growth and falling inflation.

Yet another factor has been the change of generation and — to some extent — in psychology in Germany. For one thing, entrepreneurs who built up, or sustained, their own business in the post-war period do not always have children who want to stay with the firm — so a public share flotation offers one way out of the dilemma.

For another, more young Germans are keen to found their own companies with the aim of going public after a few years; and there are more venture capital outfits around with advice and funds to help them.

All that said, the equity market in Germany remains a fragile flower which needs careful tending. It owes much of its new-found bloom to the attentions of foreigners who perceived the steady economic progress in Germany, felt (correctly) that many stocks were under-priced and noted, moreover, that they stood to make

exchange rate gains because of the undervalued D-Mark.

The key question is whether Germans themselves are becoming such enthusiastic shareholders that they could broadly sustain a domestic market in which foreigners were showing dwindling interest. The answer is almost certainly no. Germans have overcome some of their traditional suspicion of share investment, but they are not yet devoted market players. And if the market weakens as foreigners withdraw, what happens to that flow of new bourse entrants?

The corollary is that steps need to be taken to help keep foreigners interested in the German market, and to prove to Germans that share investment really is a viable alternative to bonds or savings accounts. This need is broadly recognised—but progress is slow.

For example, after more than a year of tortuous (and tortured) discussion, the eight regional stock exchanges (Frankfurt, Düsseldorf, Munich, Stuttgart, Berlin, Hamburg, Hanover and Bremen) last month finally set up a common association. Previously, they had only a loose "working group."

This new body aims to foster much-needed technical and structural change—for example by cutting duplication of effort and paperwork, among the eight; by drawing up an annual report with country-wide statistics; by harmonising computer hardware; bringing in a longer settlement period for stock exchange transactions.

In a nutshell, the association will try to present a single, progressive German stock market face to the world (while

Capital Market

	1983	1984	1985
FIXED SECURITIES			
Gross sales of domestic bonds†	226.7	227.4	261.2
of foreign DM bonds	17.0	19.1	31.1
Net sales of domestic bonds†	87.6	72.1	79.4
Outstanding at year-end	865.5	946.3	1,046.7
Including DM foreign bonds	87.6	96.3	117.4
Yield at year-end*	8.3%	7.0%	6.6%
OFFICIALLY QUOTED SHARES			
Total market value at year-end	225.7	246.7	438.8
Dividend yield†	3.3%	3.6%	2.5%
Commerzbank index (changes)	+36.5%	+6.4%	+76.1%
Capital increases (cash proceeds)††	2.7	2.4	6.7
Stock exchange trading	84.1	84.7	210.7
INVESTMENT FUNDS FOR SMALL INVESTORS			
Net sales	3.82	4.17	8.28
Including: bond funds	1.72	4.54	5.49
equity funds	0.57	-1.13	-0.98
real estate funds	1.53	0.76	3.75
Total assets at year-end	39.79	46.39	58.76

*Nominal. †Domestic securities outstanding. ††Including tax credit. †According to Commerzbank statistics. Source: Commerzbank

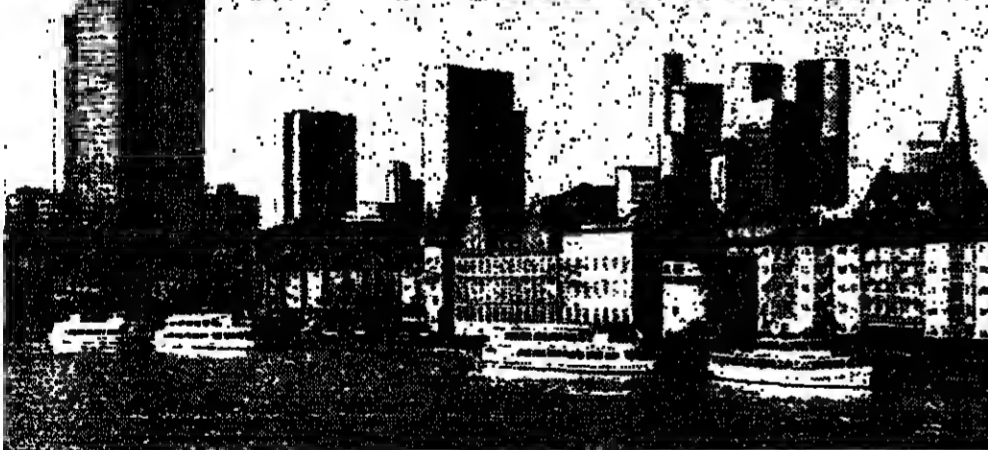
retaining the regional exchanges), and will use its increased weight to lobby the government on desirable reforms.

The Government is already seeking, through a new bill, to improve stock market structure, encouraging more medium-sized companies to go public while giving better protection to investors. But it surely needs to provide tax concessions, too, both on the corporate side and by removing the stock market turnover tax levied on all securities transactions in Germany.

Rather than penalising share investment, the Government should probably consider subsidising it — at least until the habit has stuck. That cannot be expected in what remains of

Jonathan Carr

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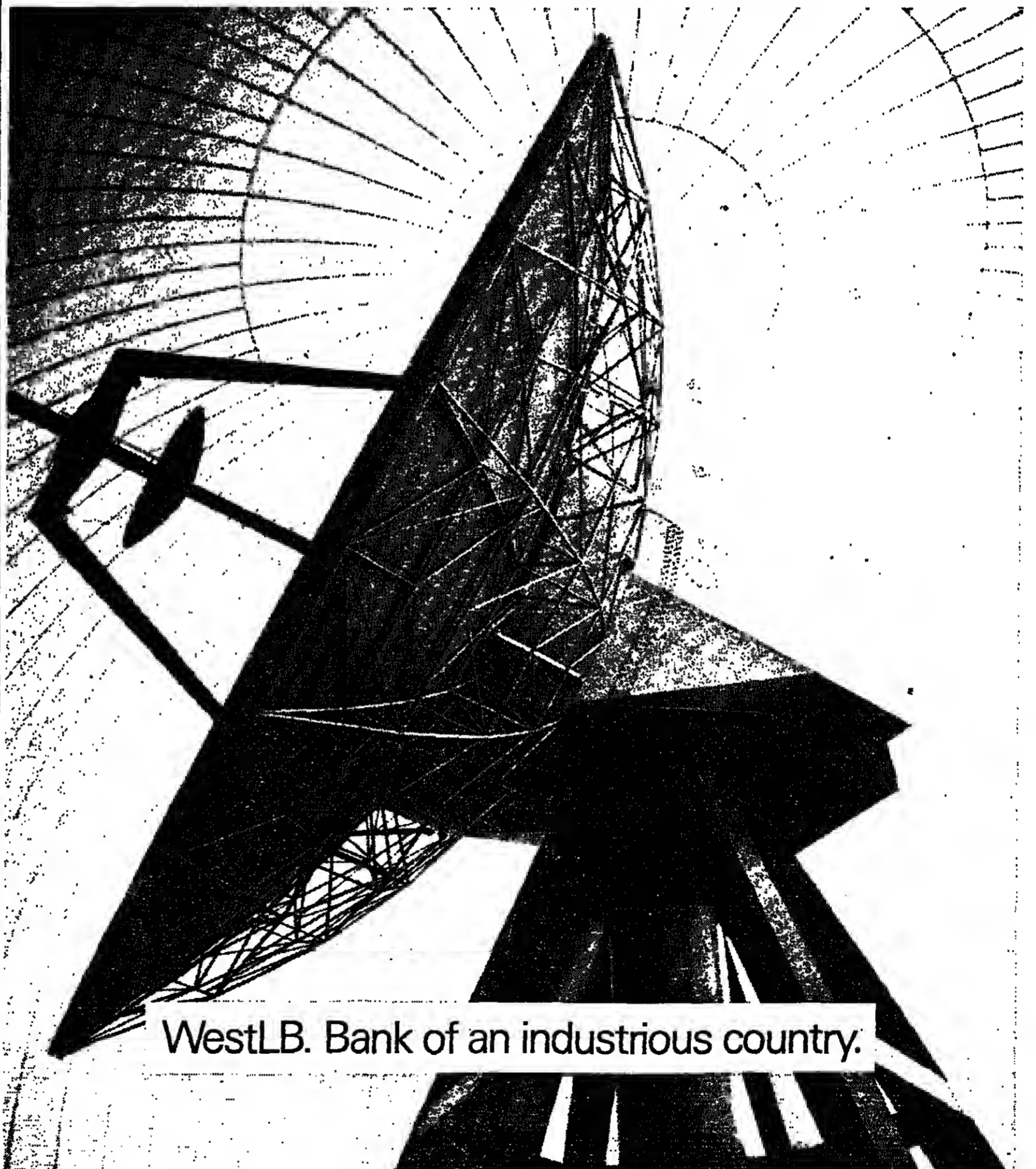
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- A thriving local economy
- West Germany's financial center
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WEST GERMAN Banking, Finance & Investment 4

IV

Landesbanks

Stalemate is not the end

MR WERNER SCHMIDT may have good reason to wish he had not been so hasty. He had already concluded in April that the plans for one of Germany's biggest recent bank mergers—involving his Landesbank Stuttgart—would never materialise. Efforts to build up a new regional bank in Baden-Württemberg had been plagued with problems from the start, and he decided to leave the managing board for a new job.

But, only two months later, he was persuaded to return with the view that the plan had gained a convincing momentum after series of earlier setbacks. So it must have been with considerable dismay that he learned of the June 18 withdrawal of one of the four prospective partners which dealt the plan another, this time possibly fatal, blow.

The proposal is the brainchild of Baden-Württemberg's non-nonsense premier, Mr Lothar Späth. He has invested considerable personal effort and prestige in realising his vision of welding four relatively small local banks into one large regional institute capable of holding its own against Germany's biggest.

His plan was to merge the region's two existing regional banks—the Landesbank Stuttgart and the Badische Kommunale Landesbank—with the Karlsruhe-based Landeskreditbank and the country's second biggest savings bank, Stuttgarter Landes Girokasse.

The new state bank—which was to have opened its doors on January 1, 1987, with a balance sheet of nearly DM 110bn—would have been one of the 10 biggest banks in West Germany.

The Premier's concern—some might say crusade—was understandable, in view of both the important role played by the Landesbank in shaping regional development and their strength on the German banking scene. The Landesbanks control nearly 18 per cent of total business volume, while the savings banks add a further 22 per cent.

The regional banks carry out a central clearing function for the state savings banks which, together with the local governments, are their main shareholders. The larger of them have extensive operations, both in the domestic market and abroad, but all are committed to one degree or another to helping fuel local development.

As it happens, Baden-Württemberg is not well represented in the ranks of the regional banks, although it boasts some of Germany's premier industrial groups. These include Daimler Benz, its growing ambitions in high technology fuelled by recent acquisitions of the AEG and Dornier groups, as well as Robert Bosch, the car components group, and the SEL electricals concern.

Mr Späth has seen a large-scale regional bank as essential to assisting the process of structural change in the state, as well as promoting small and medium-sized business, providing export assistance in finance, and helping to bring new companies to the stock market.

Neighbouring Bavaria's Munich-based Bayerische Landesbank, for example, has assets of DM 108bn and is the seventh biggest bank in the country.

Further north, in North Rhine-Westphalia, which includes the Ruhr industrial area, the Westdeutsche Landesbank (WestLB) is not only the biggest of the Landesbanks but also the number three institution in Germany after Deutsche and Dresdner. In fact, both institutions originally grew out of mergers of smaller local banks.

WestLB and other large Landesbanks were, for some time, the focus of a broad debate about the growing scope of their foreign activity, with some in the banking community arguing they should concentrate more closely on the domestic market.

However, the growing internationalisation of financial markets has, over time, undercut this view. WestLB is, for example, well established abroad. And not least in the bond markets.

It recently purchased a 74 per cent stake in the Bank für Credit und Attesthandel, in Zurich, and is expanding its New York and London operations. Moreover, it has started negotiations with Japanese banking authorities about establishing a securities trading operation in Tokyo, and has opened a representative office in Beijing.

This is the type of bank that Mr Späth is seeking to build. But his campaign has been complicated by, among other things, the fact that the two Landesbanks in Baden-Württemberg are owned entirely by the local savings banks; while, elsewhere

in the country, they are to a substantial degree in the hands of state governments.

The immediate reason for the latest stalemate was the decision by the managing board of the Stuttgarter Landes Girokasse to withdraw from the group. Although possibly related to regional political manoeuvring, the bank's official position has been that the proposal does not offer business advantages sufficient to justify the requirement that it closes 80 of its branch offices.

Without the Landes Girokasse as a source of low-cost funds, the new regional bank would be seriously handicapped.

Yet another element of uncertainty is the extent of expected future write-downs on earlier series of misdeeds property loans—at the Badische Kommunale Landesbank (Bakola). In fact, the group is under investigation, and both its managing director and his deputy were recently forced to resign.

Over time, many of the Landesbanks have been hit by financial misfortune. One example is the heavy loss provisions and write-offs at Deutsche Anlagen-Leasing (DAL), one of the country's biggest leasing operations. The company is owned to a total 90 per cent by the four biggest regional banks. WestLB has the biggest share, with 30 per cent.

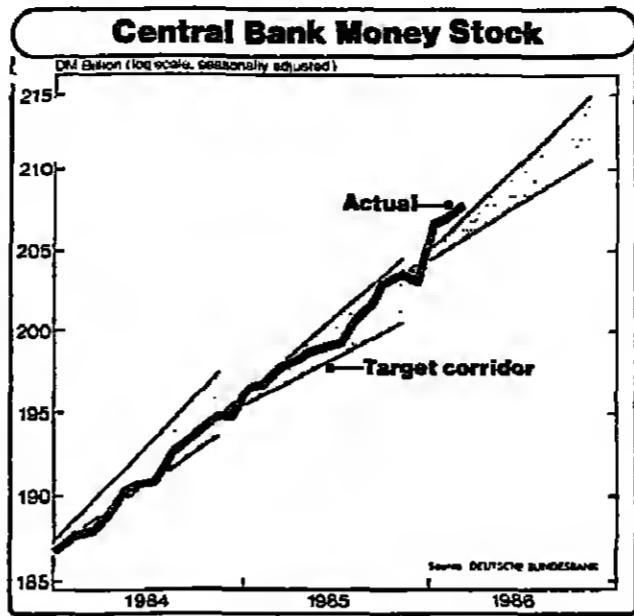
WestLB has not paid a dividend since 1979, having set aside a total of DM 1.4bn in losses and risks associated with the DAL-affair. This was despite often buoyant operating profits at the bank, which rose by DM 100m last year to DM 1.42bn.

The latest serious stalemate does not, however, mark the end of the Baden-Württemberg effort. Mr Späth has vowed to continue work, and the withdrawal of the Stuttgarter Landes Girokasse is not necessarily final.

However, even if a compromise is patched together, the new bank will face considerable challenges. Not least among these is successfully merging four different business cultures into one smoothly-working unit. Moreover, the partners have little experience or expertise in guiding companies to the stock market.

In contrast to their established rivals, they also have a meagre spread on the foreign front—in the midst of the rapid internationalisation of financial markets.

David Brown



The Bundesbank

Reins may not be loosed

ARE THE world's most successful monetarists about to come a cropper? Specifically, is the Bundesbank going to fall this year to keep to its money supply target for the first time since 1978?

Late last year the Bundesbank (central bank) set a target zone for growth of its money stock to the end of 1986 of between 3.5 per cent and 5.5 per cent; but monetary expansion so far has been well above the upper limit of the "corridor."

Does that matter much? Part of the excess is due to special factors, for example, the inflow of funds to Germany preceding the revaluation of the D-Mark within the European Monetary System.

Moreover, the cost of living has actually been falling compared with a year ago, so that it might seem neurotic to say that the fast-expanding money supply might feed a new round of inflation.

For all that, the problem is not so easily dismissed. For one thing the fall in the cost of living is due to cheaper imports, caused above all by the weaker dollar and plummeting oil prices. Exclude that external factor (and the falling oil price can hardly be guaranteed indefinitely) and West Germany's "home made" inflation is seen to be rising at a year-on-year rate of around 3 per cent.

That is no cause for alarm but it is quite enough to make the Bundesbank wary of loosening the monetary reins still further, as some foreign countries are urging it to do. Moreover, the Bundesbank has so long achieved its money supply objectives (in the past two years it landed unannounced in the middle of its planned range) that it risks losing credibility if things go wrong this year.

It does not imply that the Bundesbank is a dogmatically monetarist institution. True, it was the first central bank to announce (in late 1974) a target for money supply growth in the following year, but it never claimed that control of the money stock was enough of itself to bring price stability.

Targeting was seen as an aid in the battle against inflation, not a patent solution. Indeed, at the start of the senior Bundesbank official's tenure called the "focus business" he was seen to be normally get too upset over short-term over-running of its money supply targets, and there is still time for a corrective in the later months of this year. But even so the fact expansion is causing some furrowed brows. Some bankers even suggest that there are parallels with the "black year" of 1978.

In 1978, as now, the D-mark was strengthening and import prices and inflation were falling, but Bundesbank money stock grew faster than planned (11 per cent instead of the target of 8 per cent). From 1979 on, inflation rose sharply by West German standards—touching a peak of 6.3 per cent in 1981.

There are several key differences in the economic and financial situation of the Federal Republic then and now, it is true, but the 1978 experience serves as a warning all the same.

True, in May this year the

Bundesbank slightly relaxed its minimum reserve requirements, which specify how much money the banks must tie up interest-free at the central bank. But that does not imply that minimum reserves are likely to be abolished altogether in the near future.

The instrument is seen as important, above all, as an automatic brake on monetary expansion—that is, one which operates even before the Bundesbank has statistical evidence of the growth and can bring its control measures to bear.

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Morgan Guaranty, which is widely respected for its corpor-

Jonathan Carr

Foreign Banks

'Big wheel, small profit'

LIFE FOR foreign bankers in Germany has become distinctly more interesting over the past year or so, thanks to the liberalisation of the German finance industry. It has given them more scope to deploy their talents and to challenge the German banks on their home territory.

The question, though, is just how successfully they can exploit these new opportunities.

It is noticeable, for example, that only one foreign bank, CSFB-Effektenbank, the Credit Suisse subsidiary, has rushed to take advantage of the new rule allowing foreign banks to lead manage D-Mark bond issues. By early June it had done 14 deals totalling some DM 45bn, which put it high on the domestic league table. But other foreign banks had done only one or two deals, and many none at all, largely because of the fear of loss.

By the same token, it will be interesting to see how foreign banks fare in the Federal Bond Consortium, to which they have just been admitted. This will give them a share in the periodic issues of Government agency bonds. But, since their obligation will be to take bonds up in tranches as well as good, their staying power will be closely watched.

While there is a certain caution among foreign bankers in Frankfurt, they see nothing but good in the tide of liberalisation. If there is a complaint, it is that things are not moving fast enough.

Frankfurt may not be London, New York or Tokyo in the world league table, but the combination of booming markets and liberalisation has made it much more attractive to banks from abroad. The fact that banks in Germany combine the function of brokers and bankers, under the "universal banking" concept, means that they are best placed to tap growing foreign interest in investing in German bonds and stocks. For many of them, this could actually prove to be their main reason for having a branch there.

Germany plays host to over 220 foreign banks from some 45 countries. Traditionally, they have learned their way by lending to the local subsidiaries of their big corporate customers from back home, financing exports, and supplying services like foreign exchange and corporate finance advice.

Fighting for a share of the domestic commercial loan market has been frustrating. The biggest German corporate clients command terms so fine that there is little profit in it for foreign lenders who do not have access to cheap retail deposits.

On the other hand, the more lucrative middle market is extremely hard for foreign banks to crack. Citibank, which has the largest presence in Germany of any foreign bank, recently pulled back from that market after management had second thoughts.

As one banker commented: "You turn a very big wheel for a small profit."

Morgan Guaranty, which is widely respected for its corpor-

David Lascelles

Baden-Württemberg 579

Adventures and Accidents (1934); African Adventure (1936); and Birds and Beasts in Africa (1938). He published his autobiography, *Lessons of a Lifetime*, in 1933.

SEE ALSO BOY SCOUTS, GIRL SCOUTS AND GIRL GUIDES

Baden-Württemberg

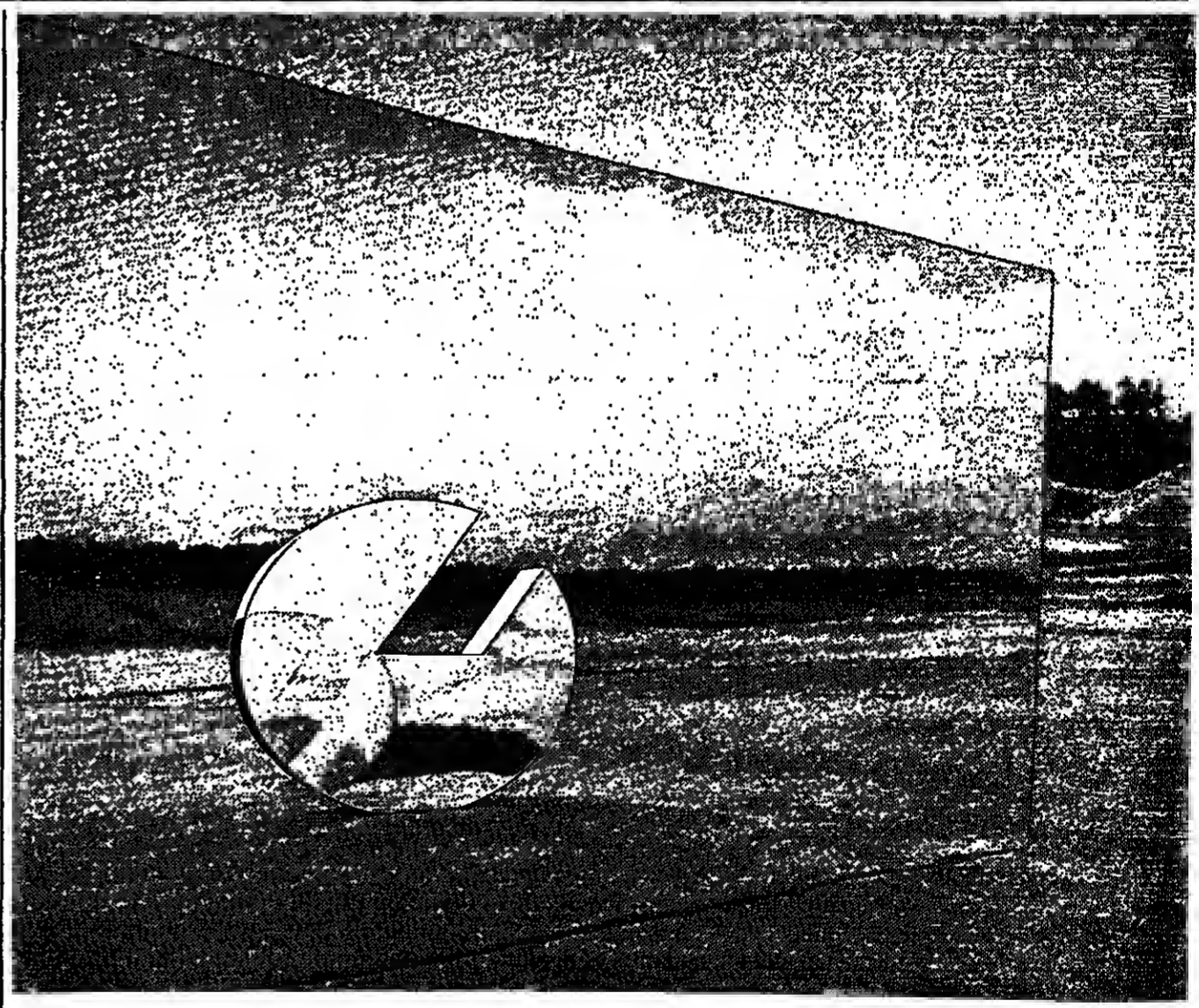
A federal state in the south-west of Germany with an area of 13800 square miles and a population of approx. 9.3 million. The waters of the RIVER RHINE and the LAKE OF CONSTANCE form the western and southern borders to FRANCE and SWITZERLAND. THE BLACK FOREST, where THE DANUBE rises, and the towns of BADEN-BADEN and HEIÖELBERG and the cathedrals in ULM and FREIBURG are tourist attractions known the world over. A well balanced economic structure has for years produced a higher rate of economic growth than other states of Federal Germany. The home of world-famous companies such as BOSCH, BROWN, BOVERI & CIE., DAIMLER-BENZ, IBM GERMANY, STANARO ELEKTRIK LORENZ, VOITH and ZEISS-KON. Major bank: the Baden-Württembergische Bank (see below).

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WEST GERMAN Banking, Finance & Investment 6

Capital Markets

Waiting on the global game

Money and credit

	(at year-end)	1983	1984	1985
Bank loans to private companies		241.1	260.5	282.7
Short-term		601.4	624.0	672.1
Medium and long-term		478.2	513.0	541.7
Bank loans to public sector		368.7	399.3	393.6
Customer deposits with banks		198.5	212.7	224.6
Sight		436.6	470.3	511.5
Time		684.1	720.9	763.9
Cash in circulation		164.7	189.6	114.7
Central bank money stock (fourth qtr to fourth qtr)		+7.8%	+4.6%	+4.5%
Discount/Lombard rate (year-end)		4/5.5%	4.5/5.5%	4/5.5%

Source: Commerzbank

As universal banks, Deutsche Bank, Dresdner Bank and Commerzbank seem particularly well-equipped to cope with the dividing line between traditional banking and the securities markets is becoming increasingly blurred.

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securities and developing further outlets for securities from other markets.

However Mr Eitel emphasises that Dresdner is taking a fairly measured approach to developments on the world scene, and particularly in London where he sees no need for action at the moment. "We will stand down-stream from the others and pick up some pieces as they float past. We would like to build up our business ourselves. There is plenty of time. These are lasting trends."

As the smallest of the Big Three, Commerzbank feels the need to try hardest in order to break into business traditionally dominated by Deutsche and to a lesser extent, Dresdner. Recently, it has boasted of bringing innovations to the German capital markets, and new borrowers, such as Westpac and the Bank of Scotland, which has brought it up to second place in the German league table.

Overseas, though, Commerzbank is taking a somewhat more low key approach. The chairman according to Mr Gerold Brandt, head of the international investment banking department, is that "We are a German bank, and our speciality is where there is German business." He says Commerzbank is "not one of the big spenders" and he doubts that the bank needs to set up big securities operations around the world where much of that business can be done through its existing branches.

Commerzbank is, however, seeking a securities licence in Tokyo. And on the US market it has a 40 per cent share in a small Wall Street investment bank which engages in corporate finance, underwriting, investment management, and securities business.

Ranking the world's largest banks, these three banks are bound to figure prominently in some way or other as the world markets evolve. Their style may not be as eye-catching as those of Continental and US banks. But with an increasingly active domestic securities market to cultivate, and an obvious need to keep up with the competition abroad, they are unlikely to let errors leave them too far behind.

David Lascelles

Special Banks

Rooted in turbulent history

NOT A LOT of non-Germans are likely to recognise at once the unwieldy names of Industriekreditbank-Deutsche Industriebank (IKB) and the Kreditanstalt für Wiederaufbau (KfW), but both institutions deserve to be more widely known. The two are quite separate and have some obvious differences in their ownership and tasks.

But both help to provide long-term finance for medium-sized business, both are diversifying their funding operations (offering some interesting investment opportunities for foreigners as well as Germans) and both have their origins in Germany's turbulent history this century. The start of the IKB can be traced back to the Bank für Deutsche Industrie Obligationen, which was founded in 1924 to administer First World War reparations payments to the allies by German industry. It only became a credit-instituting bank in 1931.

After Germany's defeat in 1945 further operations in Berlin (its headquarters until then) was impossible but, business was carried on in Düsseldorf under the name Industriekreditbank AG. By 1954 Berlin was safe enough to allow the re-appearance there of the Deutsche Industriebank. The two institutes finally merged 12 years ago - hence the long name.

So much for history. Today the IKB is a bank with basic capital of DM 210m, stable funds of DM 722m and (taking the figure for the 1984-85 business year) total assets of DM 14.4bn. Many Germans call it "the entrepreneurs' bank" which well reflects its tasks and, broadly speaking, its ownership. Its shareholders include the three big banks, Deutsche, Dresdner and Commerzbank, with a stake of around 25 per cent through a holding called Hostra. Beteiligungsgesellschaft. Leading insurance companies have a further stake of some 20 per cent and a foundation representing entrepreneurial interests around 28 per cent.

Naturally, many other German banks are involved in this sector too (among others) but by concentrating its efforts IKB has carved out a special niche for itself. Adequate funding for the Mittelstand (medium-sized companies) is of special importance for the German economy. Companies with between 100 and 1,000 employees account for more than 40 per cent of the total labour force in manufacturing industry. They often prove more inventive and flexible than their bigger rivals, yet they do not generally have the same financial resources, or funding possibilities, of the giants.

That is where IKB steps in. At the end of the 1984-85 year, lending to customers totalled DM 11.2bn, of which no less than DM 10.6bn was credit for four years or longer. IKB's credit is not round the horn on commercial finance, but only for deals covered by guarantees from Hermes, the state-backed insurance concern.

It also offers services such as management consultancy, leasing and even (from Berlin) venture capital funds and advice - but the core activity remains firmly on the lending side. Profits are consistent (no drastic swings in either direction) and dividend payments were maintained even in the worst recession years.

IKB is increasingly spreading its wings to take advantage of cheaper finance on the international capital markets. For example, last November it made its first D-Mark foreign bond issue via its offshoot IKB Finance Amsterdam - a DM 100m capped floating rate issue. It has also established a branch in Luxembourg for funding operations alongside its subsidiary in the Grand Duchy, which is set up in 1979 mainly to meet customer demand for Euro-D-Marks.

The recipients get long-term loans at a somewhat lower interest rates than they would elsewhere, and KfW can afford to offer the cheaper finance because of its special status which keeps its funding costs low. Another DM 1.2bn went on environmental protection programmes and the remaining DM 1.5bn of the domestic credit sum went on structural programmes - for example to aid the hard-hit building sector, agriculture, port facilities and so on.

On the foreign side, KfW pledged loans worth DM 3.2bn to help finance both export business and the direct investment of German companies abroad. Another DM 1.5bn went to development projects in the Third World. In addition to these loans, KfW also provided direct grants at home and also abroad - for example to help ease the plight of the world's poorest countries.

Not surprisingly, bonds make up the single biggest slice of total IKB liabilities - DM 6.2bn at the end 1984 compared with DM 4.9bn from bank borrowing. IKB is increasingly spreading its wings to take advantage of cheaper finance on the international capital markets.

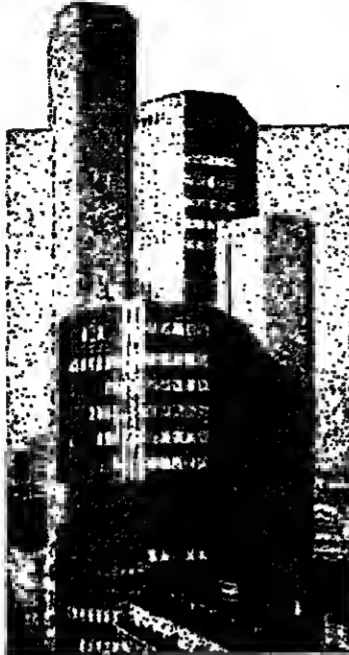
Mr Manfred Schuler, an executive board member, emphasises that in both cases KfW has been able to keep its funding costs without taking on extra risks. He says that the bank plans to make further use of these and other financial innovations, which is another sign that KfW's name will be better known internationally before long.

Jonathan Carr

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WEST GERMAN Banking, Finance & Investment 7

DEUTSCHE BANK remains easily the biggest and most profitable of the West German banks. Last year its group assets totalled DM 237.3bn, and operating profit is thought to have exceeded DM 4bn, though Deutsche, like other German banks, gives no precise figure for these earnings. But the other members of the "big

three" also had strong results. Dresdner Bank group assets totalled DM 188.7bn, with operating profit exceeding DM 2.5bn, while the Commerzbank group had assets of DM 137.2bn and operating profit of some DM 1.5bn. JONATHAN CARR portrays the men at the top of the "big three."



ROLLER (left), of the Dresdner, first joined the bank as a penniless student and returned to it after leaving to complete his studies. SEIPP (centre), of Commerzbank, carries the nickname "Walter the Tank," in tribute to his determination. CHRISTIANS (right), of the Deutsche Bank, is something of an enigma, whose forefathers were in farming, law, engineering, theology, though not finance

Bossing the Big Three

Deutsche Bank

IT WOULD seem absurd, on the face of it, to call F. Wilhelm Christians a mystery man. After all he has for a decade shared the top job at Deutsche Bank as one of the two "spokesmen" of the executive board, first with Wilfried Guth, now with Alfred Herrhausen.

He is a past president of the Federal Association of German Banks, sits on the supervisory boards of some of the country's best-known companies — and so on. One can hardly do all that and stay out of the public eye.

Yet Mr Christians, who is 66, remains something of an enigma. Some chief executives are so closely identified with their companies that it is hard to separate the two. Others give the impression that their work is like a fascinating, strenuous but ultimately expendable hobby.

Like, for example, Marcus Bierlich, the broadly talented head of the Bosch electricals concern, Mr Christians surely belongs to the hobby category. He has given a lot of time to Deutsche Bank over nearly four decades — but that is not to say that he has devoted his whole life to it.

If he had followed either in the family footsteps, or his initial inclination, he would never have become a banker. His forefathers were in farming, law, engineering, even theology but not finance. His own ambition after the war was to become a diplomat. He had fought as a cavalry officer (riding is still one of his abiding passions) and been wounded on the Russian front.

Later he studied law and political science and then, in 1949, did a spell with Deutsche Bank to fill in time, planning to go on from there to a "real" diplomatic career.

Instead, he liked the banking

atmosphere and stayed, learning the business from scratch and at first earning less than DM 200 a month (after deductions). He worked his way up through offices in Aachen, Cologne and Düsseldorf, joined the executive board as a deputy in 1965 and became a full member two years later.

In 1976 he began the "co-speaker" partnership with Mr Guth, a highly successful one despite (or perhaps even because of) the fact that the two men are very different.

Many observers tended to see Mr Guth as the peripatetic "foreign minister" of Deutsche Bank with Mr Christians more responsible for domestic affairs and somewhat in the shadow of his colleague.

For one thing Mr Guth had a broader professional background behind him, including experience in central banking and the International Monetary Fund. For another, Mr Guth (now head of the supervisory board) looks like an ebullient prize fighter ready, as it were, to grapple with the debt crisis single-handedly if need be.

Mr Christians, silver hair neatly combed, is always elegantly suited. He has a wide selection of striking neckties which brought him an award a few years ago from the German tie industry. All that may have contributed to a feeling that of the two "speakers," Mr Christians was a relative lightweight.

Whatever the reason, the impression was wrong. Mr Christians has long been especially active in the German securities business, working to breathe more life into the moribund domestic stock market. It certainly gives him special pleasure to see over the past few years the "renaissance" of the German share, with more private companies "going public" — not least under the wing of Deutsche Bank.

But that does not mean that his sights ended at the German frontier. For example, he laid the basis for Deutsche's investment banking offshoot in New York, negotiated the establishment of a similar operation in Tokyo, and travelled regularly to the Soviet Union from 1980, not least to negotiate finance

for the big natural gas-pipeline deals with the West.

Over the past 17 years he has forged close links with top Russian officials (including Mr Mikhail Gorbachev) which many Western politicians and businessmen might envy.

But it is not all business. Mr Christians loves Russian art, especially the art of this century, and has played a key role in arranging the exchange of exhibitions between the Soviet Union and West Germany. His contacts in Russia include painters who do not, to say the least, enjoy the approval of Soviet officials.

He has two particular qualities which go far to explain his success. One is that he can hold on to tough positions but express himself in such a way that he never seems rude or unreasonable. It is worth noting that (like the late computer wizard Heinz Nixdorf) he comes from the Westphalian town of Paderborn, whose citizens are renowned for their tough determination.

The other quality is patience. Mr Christians recognises the value of planting the seeds of future business, not just of throwing out a net to catch a passing shoal of easy clients. For example, he has been on the supervisory board of the state-owned VIAG energy and chemicals concern for nearly two decades. From the start he was urging that an issue of shares be made to the public.

Many problems intervened, however, and only this year has the step finally been taken — with Deutsche Bank leading the issue consortium.

The VIAG deal is one of several (Springer and Flick are others) which have brought Deutsche Bank criticism as well as praise and have helped to rekindle the old controversy about whether the banks — especially Deutsche — have too much power.

Mr Christians insists that the critics greatly exaggerate and that it is simple for some politicians to gain easy applause at the banks' expense. But one thing is certain: Deutsche Bank is unusually influential because

it is a canny, well-run institution which was often able to "keep its head when most around were losing theirs."

Despite many factors which still tell in its favour, there is no cast-iron guarantee that it will always maintain its big lead. It has some increasingly lively rivals, not least the Dresdner Bank.

The man who is in part the cause, and certainly the embodiment, of the new spirit at Dresdner is Mr Wolfgang Rölller, 56, who became "spokesman" at the beginning of last year.

Dresdner Bank

A dynamic person who seems to be in almost perpetual motion, he will push through a throng of people, nodding here, pressing a hand there as though to say "excuse me but I must be off shortly to make money for the bank" — which he has been doing for Dresdner for over 30 years.

That is a superficial impression, of course, but there is nonetheless something in it. Dresdner under Mr Rölller is on the move again after a period in the doldrums. It is also a happier place than it was in the recent past. Back in the mid-1970s under

the late, distinguished Jürgen Ponto, many people felt that Dresdner Bank was going to catch up with Deutsche — or at least markedly narrow the gap. Then in 1977 Ponto was murdered by terrorists and Dresdner chose an outsider, the Federal Economics Minister Hans Friderichs, as the new "spokesman."

It would be unfair to blame on Friderichs all Dresdner's troubles in the following years — including loan losses at home and abroad and friction among top management. But the fact was that in a particularly tough period for all credit institutes it did not help Dresdner Bank to have at its head a man whose background was not in banking.

Moreover, Friderichs later faced corruption charges in connection with the Flick bribery affair. He firmly denied any involvement but finally stepped down in order to fight at his trial — which is still going on.

With Mr Wolfgang Rölller Dresdner Bank has got "one of its own" as boss again. He first joined the bank briefly as a virtually penniless student in the early 1950s, went back to university to complete his economics studies, then returned to Dresdner and immediately plunged with enthusiasm into securities trading.

He is obviously intensely loyal to Dresdner and really loves the business of banking. Some say he even loves banking a bit too much, pouncing on matters of detail which he

might do better to delegate. But there is no suggestion that he does not know banking from top to bottom. For Dresdner he is the right man at the right time — its senior capital markets expert moving into the top job as the "securitisation" of business gathers pace at home and abroad.

By the early 1980s he was already head of the bank's stock market department and he laid the groundwork for Dresdner's notably successful brokerage and investment banking activities in the US. Not least he played a key role in the dramatic deal of 1974 when Dresdner arranged the disposal of the Quandt family's stake in Daimler-Benz to Kuwait.

Few people would be surprised to see another big Quandt deal emerging one day, with Mr Rölller again playing a decisive part.

At home he has been one of the main catalysts for change in the archaic German stock market system (though it is hard to believe he is fully satisfied with the progress made so far). He clearly aims to promote the international side of Dresdner's business.

That means extending the existing operations in London, New York and Tokyo, offering a broader range of financial management services and playing a greater part in cross-frontier mergers and acquisitions. Under Mr Rölller the bank is also managing the liabilities side of its business better and

is firmly cutting such unpromising activities as its involvement in the loss-making DAL leasing concern. It would be absurd to attribute to the new "spokesman" alone the sharp rise in Dresdner's profits in 1985 — a good year for almost all banks. But it is fair to say that it is much better prepared for the future in personnel and policy terms than it was even a few years ago.

Before joining Commerzbank Mr Seipp was responsible for the highly active Eurobond business at Westdeutsche Landesbank, and he is one of the most forthright advocates of a more innovative German capital market. Indeed, he has been a bit too forthright for his colleagues in other banks, with his calls for "offshore" banking facilities to be set up in West Germany to help to repatriate part of the business which slid away to Euromarket centres abroad.

There is no evidence yet that the Bundesbank will give the green light to such a step, but that does not mean it will never happen — as usual — Mr Seipp is sticking to his guns.

Not surprisingly under such a leader, Commerzbank has been among the most active German banks in seizing the chances offered by new financial instruments. With such enterprise it is unfortunate that Commerzbank managed to blot its copy book with its ill-judged rights issue early this year.

But that alone does not alter the fact that Commerzbank under Mr Seipp's leadership is one of the most improved credit institutes in West Germany.

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Consolidated Balance Sheet Figures/BfG-Group.

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WEST GERMAN Banking, Finance & Investment 8

PROFILE: THE JURGEN PONTO FOUNDATION

Art and youth transcend terror

THE JURGEN Ponto Foundation is just one of many varied initiatives by West German businessmen to support the country's economic recovery. The origin of its dramatic success, it is certainly among the most striking.

Nine years ago this month, Ponto, head of the Dresdner Bank, was shot dead by terrorists at his home near Frankfurt. His murder caused a special wave of revulsion, even in a year which brought several other deadly terrorist attacks in Germany.

Ponto was not just a talented banker, but also a man of great personal charm and unusually wide interests, especially in the arts, where he constantly used his finance and influence to help the young.

He was, as a speaker at his memorial service said, "a representative of an order which, in its ideal form, by no means always achieved, combines economic success with social justice, hard work with active humanity, business instinct with cultural and social responsibility."

The terrorists instinctively recognized this—which is why they picked out Ponto in particular as a victim.

Ponto's widow, Inges, and the bank sought the most appropriate possible memorial. Their agreement that efforts should be made to continue the support for young artists—musicians and writers, as well as painters and architects—was the result. Thus the idea of the Jürgen Ponto Foundation was born.

More than DM 5m capital was raised, through hundreds of individual contributions and not least from the proceeds of a 1978 concert by the Berlin Philharmonic Orchestra under Herbert von Karajan, who knew Ponto well.

The foundation works in this way. A group of trustees is headed by Dresdner's chief executive Wolfgang Rölller, and includes well-known figures in the arts, such as the writer and historian Golo Mann. There are also two honorary executive directors, one of whom is Baron Bernhard von Loeffelholz, a former close aide to Ponto. Broadly speaking, the directors propose where the funds could best be spent, and decisions are taken jointly with the trustees.

There are two main aims. One is to help promising young artists just starting out, and the other is to foster group artistic activities like school choirs and theatre companies. Young artists who have already at least partly "arrived" are not generally supported,



Jürgen Ponto... used his finance and influence to help the young

though the foundation can often put them in touch with other bodies that can help.

Here, von Loeffelholz is a usual go-between as he also plays a leading role in the arts-support group set up within the Federation of German Industry (BDI). His double role also helps avoid overlap between the BDI's efforts and those of the Ponto foundation.

The foundation does not only support young German artists but also foreign artists living in Germany. For example, when the foundation first staged a competition for young composers in 1978, the top prize went to a Japanese, Takahito Shimazu.

Talented young instrumentalists lacking funds for further training are helped with grants and interest-free loans. The idea of the latter is that young musicians who "make it" with a relatively steady income should pay back loans to the foundation, and thus help another generation of the talented but impoverished.

One of the foundation's most ambitious projects is the "Schools make Music" series, arranged with the German Music Council and other bodies. These gatherings regularly bring together, in different

cities, school choirs and instrumentalists from all over the country to give concerts in hospitals, homes for the elderly, churches and so on. The most recent gathering took place last year in Berlin and brought together about 900 young people.

Other events which the foundation helps to support with funds include the Bayreuth Youth Festival, which every year brings together young people from East and West in parallel with the town's Wagner festivities.

Music was a special love of Ponto, and is naturally given a lot of attention by the foundation, but the other arts are not forgotten. Funds are made available, for example, to authors writing a first book. The choice is particularly hard, and is made only after intensive consultations with publishers and other experts, but so far the foundation feels it has picked well. All the authors it has supported have gone on to write a second book (apart from the most recent beneficiary, Elmar Schenkel, who last year received DM 15,000 for his first work and has hardly had time to produce another).

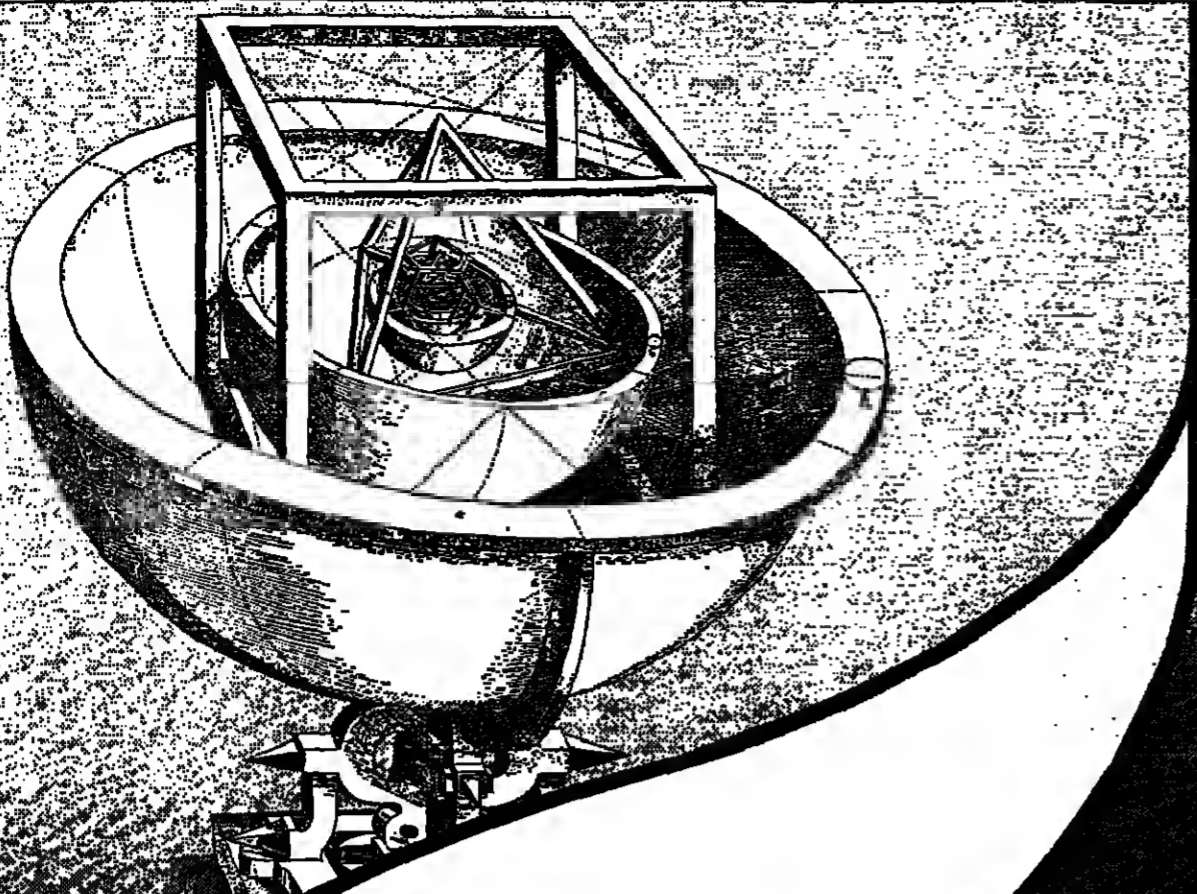
Similarly, on the visual arts side, the foundation sponsors regular exhibitions and asks collectors, as well as other experts, to propose young, little-known artists for inclusion. An independent jury then selects two or three from among the exhibitors, who receive awards of up to DM 20,000 from the foundation.

Young architects are helped, too. For many years the foundation arranged lengthy stays abroad, enabling them to do practical work in the offices of noted foreign architects. This effort has lately been undermined by the difficulty of obtaining work permits at a time of high international unemployment. The foundation has therefore taken to arranging briefer visits abroad, most recently to study the architecture of Japan.

All in all, the Ponto Foundation has spent around DM 2m in its first eight years on prizes, grants and so forth. But that sum understates the overall benefit to many young artists who have first become known to a wider public through the concerts and exhibitions which the foundation has sponsored. It is an achievement which would surely have given Jürgen Ponto a great deal of satisfaction.

Jonathan Carr

VIII



Productivity in international finance.

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PROFILE: SCHRODER, MUNCHMEYER, HENGST

On being seen to be German

TWO YEARS have passed since Lloyds Bank surprised the banking world by offering to buy Schroder, Münchmeyer, Hengst (SMH), the collapsed German private bank. It was a bold move—some said a gamble—but it seems to be paying off.

"I'd say they've got SMH back to where it was before the trouble," commented a Frankfurt-based foreign competitor who has observed SMH's rehabilitation. Lloyds will not say exactly how much it paid for SMH, or how well it is doing. But Mr John Hobbley, SMH's chief executive, says that last year's profits were 50 per cent up on 1984, and that this year should be better still, based on a good first six months.

Lloyds decided straight away to keep SMH's name, even though the highly publicised trial of SMH's former management for fraud was bound keep alive unwelcome associations (as it has). This was in order to retain SMH's staff and its good clients. "Whatever the disadvantages, the advantages were those of being seen as a German bank, and a private bank," said Mr Hobbley.

Even the Lloyds parentage is played down. SMH's literature carries only its own name, and appears between advertising covers, rather than the bright green of the Lloyds group. Clients are told of a "link" with Lloyds—and then only if SMH thinks they will have a positive connotation.

Although Lloyds rolled all its existing operations into SMH—which now employs about 400 people—its real strength has been the access it has given Lloyds to smaller and middle market German banking clients whom foreign banks usually find it hard to reach.

Even so, with the recent boom in the German markets, well over half of SMH's revenues have come from its securities business rather than banking. The group has concentrated mainly on serving foreign institutional clients wanting advice or securities services on the German market. It also has a portfolio management side, a private banking clientele, and trades in domestic bonds. There is a research capability as well.

Although SMH has long been a member of the Federal bond

consortium, it has not got into the new issue business, where management feels there is little money to be made in Germany unless you are very big.

SMH reports back to Lloyds in London through both the geographic line of command and to Lloyds Merchant Bank, the newly constituted merchant banking arm which is handling Lloyds' entry into the UK securities business. As well as acting as a channel to the German investment market for Lloyds, SMH helped form the European consortium which Lloyds put together to mount an alternative bid for Westland helicopters last winter.

SMH could grow substantially if Lloyds' current £1.5bn bid for Standard Chartered Bank goes through. Standard has a long-established German business based in Hamburg employing 200 people. According to Mr Hobbley, the two do not overlap greatly, and the German market is one where the merger makes sense, he says.

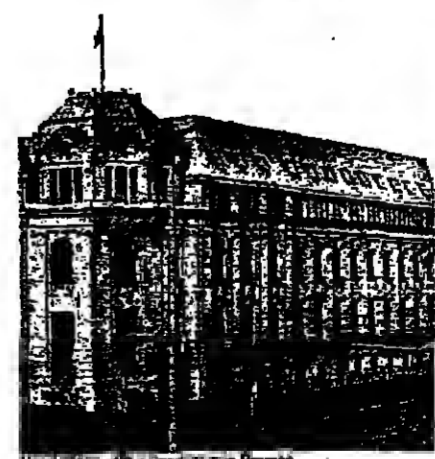
David Lascelles



John Hobbley... says last year's profits were 50 per cent up on 1984

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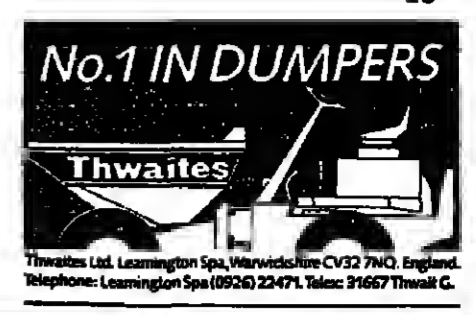
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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Monday July 7 1986



CREDITS AND EURONOTES

Fears over tax curb on Australian borrowers

THE EURONOTES' very existence is due in part to bankers' nimble adjustment to differing tax and regulatory regimes, and they were given a new set of problems to chew on last week by a surprise move from Mr Paul Keating, the Australian Treasurer, writes Alexander Nicoll in London.

Table with columns: Primary Market, Straight, Conv, FRN, Other. Rows for US\$ and Pounds.

Mr Keating's measures, considered by bankers to be a retrograde step running counter to global trends, have pushed up domestic interest rates and weakened the Australian dollar.

rower - about investing in the country as a whole. But Australian names are unlikely to disappear. Their sheer need for funding would put too great a strain on the capacity of domestic markets, and a big increase in domestic rates could even make it attractive to borrow abroad regardless of the tax. So the real question is, if not exactly how to get round the tax, then how to borrow in the most tax-efficient manner.

INTERNATIONAL BONDS

Few dollar issues despite buoyant Wall Street

THE DIVERGENT fortunes of the Eurobond and US Treasury markets were highlighted last week when a mere handful of fixed rate dollar issues emerged despite surging bond prices in New York, writes Clare Pearson in London.

On Friday Morgan Stanley managed to turn this uncertainty over the direction of interest rates to their advantage. A \$300m deal for Credit Lyonnais was successful despite its seven-year maturity because \$100m of the issue was partly paid.

Investors still apparently require a spread over gilt yields on sterling Eurobonds, however. Cie Banciere's 8 1/4 per cent bond was priced at 101 1/4 to give a yield of about 9 1/2 basis points over that on gilt-edged stocks.

Japan will cut its discount rate soon but this is offset by a feeling that yields have not yet moved further to drop. The benchmark Japanese No. 78 domestic bond traded on Friday at a yield of 4.85, and dealers did not see much chance of a substantial reduction if rates were cut.

While sovereign issues survive better in the markets dominated by institutional investors, the retail-dominated Swiss franc market is showing signs of responding well to good corporate issues despite its overall lack of enthusiasm.

Horten goes into red but sees recovery

BY OUR FINANCIAL STAFF HORTEN, the big West German department store group, has slumped into the red for last year, turning in a net loss of DM 94.4m (\$38.5m) against a previous surplus of DM 20m.

Japanese government bonds give best return

BY PETER MONTAGNON IN LONDON JAPANESE government bonds offered the best total return on world bond markets in the first half of this year, largely due to the steep appreciation of the yen, according to latest figures from the US investment house Salomon Brothers.

New Zealand \$50,000,000 Coca-Cola Financial Corporation 18% Notes due June 1989. Includes list of banks: Morgan Guaranty Ltd, Banque Bruxelles Lambert S.A., Hambros Bank Limited, etc.

PEPSICO Canadian \$75,000,000 PepsiCo, Inc. 8 3/4% Notes due 1991. Includes list of banks: Morgan Guaranty Ltd, Algemene Bank Nederland N.V., Banque Bruxelles Lambert S.A., etc.

INTERNATIONAL CAPITAL MARKETS

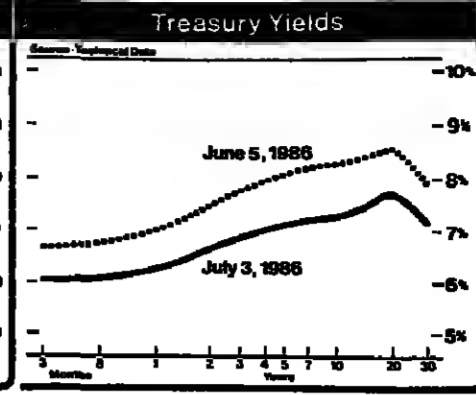
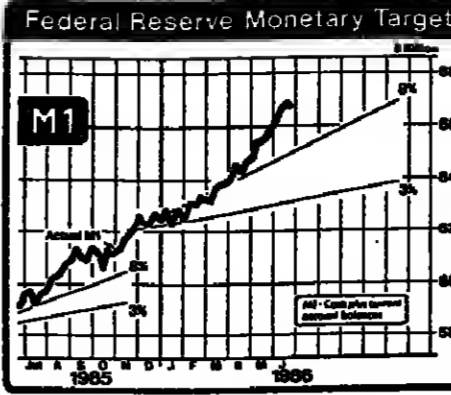
US MONEY AND CREDIT

Hopes run high for cut in discount rate

THE Federal Reserve's policy making Federal Open Market Committee (FOMC) meets tomorrow amid a broad expectation that the FOMC members will vote to ease monetary policy.

question the possibility of 2 per cent real growth in the first half instead of a long forecast second half rebound.

the bond market performance is likely to remain dominated by shifting sentiments about the timing of a Fed Discount rate cut.



US MONEY MARKET RATES (%) and US BOND PRICES AND YIELDS (%) tables with columns for instrument, last Friday, 1 week ago, 4 weeks ago, and 12-month yield.

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bonds with columns for issuer, amount, price, yield, and other financial metrics.

UK GLTS

All eyes turn to the money supply

LAST WEEK'S bounce in gilt prices came as a welcome relief after a disappointing period. What explains the market's recent lethargy?

debt securities brought to market by the close on Wednesday.

Among the new issues traded for the first time last week was a Daere \$100m issue of 9.15 per cent 10-year notes sold at 99.625 to yield 9.182 per cent.

Corporate bond prices were generally unchanged on the week, as were most new issue yield levels.

Corporate bond prices were generally unchanged on the week, as were most new issue yield levels. New issue volume continued to be brisk with a total of \$1.5bn in new

Secondly, the cost uncompetitiveness of British industry will be sustained or even increased.

rate reductions within the annual inflation figure when the country goes to the polls.

Indeed, if we do see another round of international interest rate reductions it is possible that the UK may sit this one out.

Quite apart from the wages problem, the UK authorities have two further reasons for dragging their feet over interest rate reductions.

The General Election may well be in the autumn of 1987, at a time when inflation could be heading upwards.

It would be helpful to have the benefit of mortgage

Roger Bootle, Lloyds Merchant Bank

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Bank of Tokyo International Limited	Banque Bruxelles Lambert S.A.
CIBC Limited	Crédit Commercial de France
Crédit Lyonnais	Deutsche Bank Capital Markets Limited
Dominion Securities Pitfield Limited	Morgan Guaranty Ltd
The Nikko Securities Co., (Europe) Ltd.	Orion Royal Bank Limited
S.G. Warburg & Co. Ltd.	Wood Gundy Inc.
Julius Baer International Limited	Banca del Gottardo
The Bank of Nova Scotia Group	Leu Securities Limited
Nesbitt, Thomson Limited	Richardson Greenshields of Canada (U.K.) Limited
Swiss Volksbank	

This announcement appears as a matter of record only. These Debentures have not been qualified for sale under the securities laws of Canada and the United States of America.

New Issue 17th June, 1986

Can. \$50,000,000

Xerox Canada Finance Inc.

(Incorporated with limited liability in Canada)

9¼ per cent. Debentures due 1991

Issue Price 100¼ per cent.


Union Bank of Switzerland (Securities) Limited

Algemene Bank Nederland N.V.	The Bank of Nova Scotia
Banque Bruxelles Lambert S.A.	Banque Internationale à Luxembourg S.A.
Citicorp Investment Bank Limited	Dominion Securities Pitfield Limited
Dresdner Bank Aktiengesellschaft	Genossenschaftliche Zentralbank AG—Vienna
Kredietbank S.A. Luxembourgaise	Leu Securities Limited
The Nikko Securities Co., (Europe) Ltd.	Nomura International Limited
Orion Royal Bank Limited	Société Générale

Wood Gundy Inc.

This announcement appears as a matter of record only.

New Issue 4th June, 1986



50,000 Bearer Participation Certificates
of Sfr. 100 par value each of

“Winterthur” Swiss Insurance Company

Offer Price Sfr. 6,218 per BPC

Union Bank of Switzerland (Securities) Limited

Credit Suisse First Boston Limited	Swiss Bank Corporation International Limited
Julius Baer International Limited	Banque Bruxelles Lambert S.A.
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft	Bayerische Vereinsbank Aktiengesellschaft
Crédit Commercial de France	Daiwa Europe Limited
Deutsche Bank Capital Markets Limited	Dresdner Bank Aktiengesellschaft
EBC Amro Bank Limited	Handelsbank N.W. (Overseas) Limited
Leu Securities Limited	Merck, Finck & Co.
Nomura International Limited	Pictet International Ltd.
Rahn and Bodmer	J. Henry Schroder Wagg & Co. Limited
Swiss Volksbank	Zürcher Kantonalbank

This announcement appears as a matter of record only. These Debentures have not been qualified for sale under the securities laws of Canada and the United States of America.

New Issue

14th May, 1986

U.S. \$100,000,000

Canadian Pacific Limited

7½ per cent. Debentures due 1996

Issue Price 100 per cent.

Union Bank of Switzerland (Securities) Limited	Wood Gundy Inc.
Algemene Bank Nederland N.V.	Banque Bruxelles Lambert S.A.
Commerzbank Aktiengesellschaft	County Bank Limited
Crédit Commercial de France	IBJ International Limited
Merrill Lynch Capital Markets	The Nikko Securities Co., (Europe) Ltd.
Nomura International Limited	Orion Royal Bank Limited
Salomon Brothers International Limited	Société Générale
Westdeutsche Landesbank Girozentrale	

This announcement appears as a matter of record only.

New Issue

30th June, 1986



U.S. \$100,000,000

European Coal and Steel Community

7½ per cent. Notes due 1991

Issue Price 100% per cent.

Union Bank of Switzerland (Securities) Limited	Banca Commerciale Italiana
Dresdner Bank Aktiengesellschaft	Orion Royal Bank Limited
Banque Bruxelles Lambert S.A.	Banque Nationale de Paris
Banque Paribas Capital Markets Limited	Baring Brothers & Co., Limited
Bayerische Vereinsbank Aktiengesellschaft	Chase Investment Bank
Crédit Lyonnais	Goldman Sachs International Corp.
Kleinwort, Benson Limited	Leu Securities Limited
Nomura International Limited	Swiss Volksbank

This announcement appears as a matter of record only.

New Issue

26th June, 1986



U.S. \$100,000,000

Province of Nova Scotia

8 per cent. Debentures due 1989

Issue Price 101 per cent.

Union Bank of Switzerland (Securities) Limited	
Banque Paribas Capital Markets Limited	Credit Suisse First Boston Limited
Dominion Securities Pitfield Limited	Kredietbank International Group
Leu Securities Limited	McLeod Young Weir International Limited
Merrill Lynch Capital Markets	Morgan Guaranty Ltd
Orion Royal Bank Limited	Richardson Greenshields of Canada (U.K.) Limited
S.G. Warburg & Co. Ltd.	Westdeutsche Landesbank Girozentrale
Wood Gundy Inc.	

This announcement appears as a matter of record only.

New Issue

2nd June, 1986



The Kingdom of Denmark

U.S. \$100,000,000
7¼ per cent. Notes due 1993
and
100,000 Income Warrants
to subscribe for
U.S. \$100,000,000
8¼ per cent. Notes due 1993

Issue Price of the 7¼ per cent. Notes due 1993: 100½ per cent.
Issue Price of the Income Warrants due 1993: U.S.\$72.50

Union Bank of Switzerland (Securities) Limited	Banque Paribas Capital Markets Limited
Algemene Bank Nederland N.V.	Bank Brussel Lambert N.V.
County Bank Limited	Crédit Lyonnais
Daiwa Europe Limited	Den norske Creditbank
Kansallis Banking Group	Lloyds Merchant Bank Limited
Mitsubishi Trust & Banking Corporation (Europe) S.A.	The National Bank of Kuwait S.A.K.
The Nikko Securities Co., (Europe) Ltd.	Postipankki
J. Henry Schroder Wagg & Co. Limited	Svenska Handelsbanken Group
Westdeutsche Landesbank Girozentrale	Yamaichi International (Europe) Limited
Privatbanken A/S	Copenhagen Handelsbank A/S
	Den Danske Bank

Handwritten Arabic text in a box: *هذا امر لوحيد*

UK COMPANY NEWS

Phillips & Drew

MEMBERS OF THE STOCK EXCHANGE
BULLDOG BONDS
We are pleased to announce that from Monday July 7 1986 we will act as
MARKET MAKERS
in Bulldog Bonds

Please contact:
Eddie O'Sullivan Ken Humphries
Jonathan Bradley David Sheath
Stuart Leigh Tony Bolton
Hugh Bowden Chris Marrow

Telephone: 01-588 7981
Reuters: PDFA-PDFH
Topic: 3400

120 MOORGATE, LONDON EC2M 6XP

Anglo United Development
midway profits shortfall

DESPITE A less than satisfactory first half for Anglo United Development Corporation, the directors said they remained confident of the year's outcome. They declared an interim dividend of 0.5p gross and intended to recommend a final of not less than 1p gross.
The company is incorporated in Canada and is principally engaged in open-cast mining in the US and the UK.
It said it intended to move its residence and status to England and substantial work had been completed by its advisers to put this into effect.
For the half year ended April 30 1986 the inclusion of \$222,000 net proceeds from an insurance claim in the US had

CONTRACTS
£20m order for Distington

DISTINGTON ENGINEERING CONTRACTING has won a contract worth £20m. The company will supply two continuous casting machines for United Engineering Steels in Rotham, Mr. Howard Oates DEC's commercial manager, said the order, along with another recent similar contract from British Steel, should ensure job security for the 120-strong workforce for the next 18 months. DEC was taken over in April by the Davy Corporation, from British Steel, for £15m.
HUMPHREYS AND GLASGOW has been awarded an offshore contract worth over \$20m by Hydrocarbon Great Britain, wholly-owned subsidiary of British Gas, for engineering and procurement on phase 1, stage 2, of the Morecambe Bay gas field development. The contract includes engineering, design and procurement by H and G and its subsidiary Earl and Wright, for three drilling platforms to be located in about 100 ft of water together with interlinking sub-sea pipelines. Conceptual design for the platforms was carried out by Earl and Wright and all three platforms will incorporate slant drilling facilities. A feature of the project will be the extensive use of computer-aided design.

Chamberlin & Hill P.L.C.

Year ended 31st March **1986** **1985**
Turnover £200 £200
Profit before tax 11,360 10,993
Earnings per share 9.01p 9.57p
Dividend per share 3.5p 3.5p

The period under review saw the completion of our three-year strategy to concentrate production on four sites instead of seven previously. Concurrent with this rationalisation was the continuing modernisation of the two remaining foundries and two electrical equipment factories.
Whilst we made progress in this period, with group trading profit up marginally to £215,000 from £208,000, higher interest charges resulted in a 6% drop in pre-tax profits. Extraordinary items relating to closures and relocation costs totalled £196,000. The dividend for the year remains unchanged.
The electrical companies made some progress, whilst the foundries had a less than satisfactory year. There are now many optimistic forecasts for the economy, but we have yet to see the promised improvement. The reorganisation of our activities will improve the long-term shape of our balance sheet and its asset cover. We look forward to improving our earnings for shareholders in 1986-87.

John Eccles, Chairman

U.S.\$2,500,000,000
United Kingdom
Floating Rate Notes Due 1992

In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 7th July, 1986 to 7th October, 1986 the Notes will bear interest at the rate of 6% per cent. per annum. Coupon No. 4 will therefore be payable on 7th October, 1986, at the rate of US\$8,625.00 from Notes of US\$500,000 nominal and US\$172.50 from Notes of US\$10,000 nominal.

S.G. Warburg & Co. Ltd.
Agent Bank

is believed to be the largest placed in Europe for equipment of this type.
TURNER & NEWALL'S subsidiary, TBA Belling, has been awarded a 40 per cent share of British Coal's 1986-1987 contract for solid woven fire-resistant anti-static PVC conveyor belting for both underground and surface use. This is the largest contract gained by TBA Belling and on current estimates will be worth over £10m. The contract includes shipment of belting with poly-chloroprene covers for which TBA claims technical leadership.
An export order for digital telephone exchanges has been won by London-based COMMUNICATION SUPPLIES. Announcing the £11.6m sale of 48 UX16 exchanges to the Kenya Posts and Telecommunications Corporation, the company says it has won its second contract for rural digital telephone exchanges. The first contract for 17 exchanges was awarded earlier last year and these have been shipped to Kenya. The first two are expected to be installed and commissioned by August. The second order is for 26 UX16 digital exchanges and related equipment. Both contracts include training, installation, supervision and maintenance which will be supplied by British Telecom. The new contract will also provide British manufactured Lister diesel engine generator sets and air-conditioning units to support the systems.
A 33.6 MW turbine diesel power station contract has been awarded by the Crave North district Council. Formed by Ecopetrol (Government Entity), Shell de Colombia, Inc. and Occidental de Colombia, Inc. to a joint venture association

between HAWKER SIDDELEY ENGINEERING of Leicester and DISTAL SA of Bogota, Colombia. HSEPE will receive over £5.5m of the total \$25 (£16.5m) contract value. The contract will be completed in October 1987.
HSEPE has overall project management and design responsibility. Procurement of equipment will be from both the UK and Colombia and will include the provision of four crude-oil burning 8.4 MW, reciprocating diesel engines from Mirreces Blackstone of Stockport, the associated alternators being provided by Brush Electrical Machines of Loughborough. Both companies are members of the Hawker Siddeley Group.
The Mirreces Blackstone engines will operate at a crankshaft speed of 600 rev/min and a nominal brake mean effective pressure of 18 bar. They will be capable of operation on either light diesel fuel or on the locally-produced crude oil. A team of Occidental engineers will be resident with HSEPE for the first two months of the contract to approve basic designs and ensure compatibility with the earlier phases of the development.
The power station award comes under the third phase of Occidental's oil pumping project at Cano Limon Field where crude oil is being pumped direct from the ground. A yield of 250,000 barrels per day of high grade crude oil is expected from the field.

PENDING DIVIDENDS
Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Date	Announcement last year	Date	Announcement last year
*Abbey Life July 10	Interim due	Magnet and Southern July 10	Final 2.7
*ASDA-MIV July 21	Final due	Mercentile House July 31	Final 8
*Associated Newspapers July 9	Interim 5.5	*Midland Bank July 31	Interim 11
*BET July 17	Final 11.25	NatWest Bank July 30	Interim 10
*Barclay Bank July 7	Interim 8.4	Ocean Transport July 31	Interim 2.15
Brital Mail and Gen Trust July 10	Interim 16.5	*Rank Organisation July 17	Interim 5.5
Dae Corp Aug 5	Final 4.0	STC August 8	Interim 0.68
*Downy July 23	Final 2.8	*Bourneor July 8	Interim 1.4
*Electronic Rentals July 7	Final 2.095	Nepheuw Aug 8	Interim 1.4
GKN July 7	Interim 4.5	*Northern Assurance July 8	Interim 5.0
Gosamer July 15	Interim 0.5	*Thames July 8	Final 12.5
Gyrowed August 1	Interim 3.5	Tonking (F. H.) July 20	Final 1.475
*Grenada July 5	Interim 2.35	Union Guinness July 10	Interim 11.0
Great Universal Stores July 15	Final 11.75	Yorkshire Bank August 5	Final due
*Hogg Robinson July 6	Final 4.2	*Board meeting postponed. Rights issue since made. Tax free. Scrip issue since made. Forecast.	
Int'l Leasing July 15	Final due		
*Laser June 20	Final 0.25		
Lloyds Bank July 25	Interim 7.5		



Royal Trustco Limited
(Incorporated with limited liability in Canada)
Issue of
C\$100,000,000
9% per cent. Debentures Due 1991
Issue Price 101 per cent.

- The following have agreed to purchase or procure purchasers for the above Debentures:
- | | |
|---|---|
| Union Bank of Switzerland (Securities) Limited | The Royal Trust Company of Canada |
| Bank of Montreal | Banque Internationale à Luxembourg S.A. |
| CIBC Limited | Citicorp Investment Bank Limited |
| Girozentrale und Bank der Österreichischen Sparkassen | Kreditbank N.V. |
| The Nikko Securities Co., (Europe) Ltd. | Nomura International Limited |
| J. Henry Schroder Wagg & Co. Limited | Sumitomo Trust International Limited |
| Swiss Bank Corporation International Limited | Toronto Dominion International Limited |
| Westdeutsche Landesbank Girozentrale | Wood Gundy Inc. |
| Banca della Svizzera Italiana | Banque Bruxelles Lambert S.A. |
| Dow Banking (Overseas) Ltd. | Swiss Volksbank, London Branch Licensed Deposit Taker |

Application has been made to the Council of The Stock Exchange for the Debentures to be admitted to the Official List.
Listing particulars relating to the Debentures are available in the Exel Statistical Service and may be obtained during usual business hours up to and including 10th July, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 10th July, 1986 from:

Union Bank of Switzerland (Securities) Limited, Stock Exchange Building, P.O. Box 498, London EC2N 1EY
Hoare Covell Limited, Heron House, 319/328 High Holborn, London WC1V 7PB
The Royal Trust Company of Canada, Royal Trust House, 49-50 Cannon Street, London EC4N 6LD

7th July, 1986

IFSAT/86
Outstanding opportunities
for new corporate relationships in 1986 and through 1987
THIRD ANNUAL INTERNATIONAL EXHIBITION,
FINANCIAL TIMES CONFERENCE & SEMINARS
21st, 22nd & 23rd OCTOBER, 1986
AT THE BARBICAN, LONDON
International Financial Services & Technology
SPONSORS: The Banker
ORGANISERS: Industrial and Trade Fairs Ltd.
CONTACT: Philip Mead 021-705 6707
John Lawton (City Office) 01-628 6225

WARBURG SECURITIES
INTERNATIONAL
DIVISION

TODAY the issuing, underwriting, distribution and trading activities of S.G. Warburg & Co in the international capital markets combine with Akroyd & Smithers' Eurobond business and with the international equities business of S.G. Warburg, Rowe & Pitman, Akroyd (Rowak) to form the International Division of S.G. Warburg, Akroyd, Rowe & Pitman, Mullens Securities — to be known as Warburg Securities — with membership of the world's leading Stock Exchanges, in London, New York, Tokyo, Hong Kong and, through its association with Potter Partners, in Melbourne and Sydney.

WARBURG SECURITIES

S.G. Warburg, Akroyd, Rowe & Pitman, Mullens Securities Ltd.
1, Finsbury Avenue, London, EC2M 2PA
Telephone: 01-280 2000 and 01-247 3225
Telex: 937011 and 8952485
Facsimile: 01-247 8076 and 01-247 8601

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange and does not constitute an offer or invitation to subscribe for or purchase shares.

REA BROTHERS GROUP PLC
(Incorporated with limited liability in England No. 1995602)
Introduction of 26,986,291 Ordinary shares of 25p each and 647,583 8 6 per cent. Cumulative Convertible Preference shares of £1 each

Application has been made to the Council of The Stock Exchange for the whole of the share capital of Rea Brothers Group PLC to be issued pursuant to the offers for the existing ordinary and preference capital of Rea Brothers PLC to be admitted to the Official List.

Authorised £	Share Capital	Issued £
12,500,000	Ordinary Shares of 25p each	6,746,573
10,000,000	8 6 per cent. Cumulative Convertible Preference Shares of £1 each	647,583
22,500,000		7,394,156

Particulars relating to the securities are available in the Exel Statistical Service and copies may be obtained during normal business hours up to and including 9th July 1986 from the Company Announcements Office of The Stock Exchange in London and up to and including 21st July 1986 from:—

Rea Brothers PLC; Kleinwort Grieveson and Co., Alderman's House, 20 Fenchurch Street, Alderman's Walk, LONDON EC3M 3XR, LONDON EC3P 3DB.

7th July 1986

MANUFACTURERS HANOVER CORPORATION
US\$100,000,000
Floating Rate Subordinated Notes due 1997
In accordance with the provisions of the Notes, notice is hereby given that the coupon amounts for the period 15th April 1986 to 14th July 1986 will be US\$100.10 for the US\$10,000 denomination and US\$4,502.60 for the US\$250,000 denomination and will be payable on 15th July, 1986 against surrender of Coupon No. 4.

Manufacturers Hanover Limited
Agent Bank

CENTRAL BANK OF NIGERIA
FLOATING RATE NOTES DUE 1989/90 TO BE ISSUED IN RESPECT OF OUTSTANDING TRADE DEBT

In accordance with the Terms and Conditions of the Notes, notice is hereby given that in respect of the interest period from July 1, 1986, to October 6, 1986, the Rate of Interest has been determined at 7 7/8% per annum.

London, July 7, 1986
THE CHASE MANHATTAN BANK, N.A.
FISCAL AGENT

N.A.V. at 30.686
US\$33.37
VIKING RESOURCES INTERNATIONAL N.V.

INFO Plerson Holding & Plerson N.V. Haringweg 214, Amsterdam

22

Bryant
construction
021 704 5111
0344 426688
SOLIHULL
BRACKNELL

Pyramid Hospital project

COSTAIN INTERNATIONAL in joint venture with **CRC HASSAN DORA** has been appointed main contractor for the £25m first phase construction of the Pyramid Hospital project in Cairo, Egypt. Project manager, Higgs & Hill is responsible for the design, construction and equipping of the hospital for the Cairo Organisation for Medical Treatment. The Pyramid Hospital project will provide 300 beds with facility to extend to 600 in two further phases. The nine-storey stepped structure will have a reinforced in-situ concrete frame, floors and roof. The building is based on a 7.2 metre grid and accommodation is arranged around a central courtyard. Walls are of cavity blockwork, painted white, while planted terracing is used at each level. The wards are located on the perimeter of the building with access to the terraces. Green aluminium louvred shading will project two metres from the concrete edge beams to further emphasise the building's stepped form. The project is due for completion in 140 weeks from the date of commencement.

JOHN SISK AND SON has secured six contracts with a total value of over £2.8m. The largest contract, worth £900,000, is to carry out the external restoration of the Park Court Hotel in Lancaster Gate W2, for Mount Charlotte Investments. Other projects include the construction of an office building at St Albans for Governor Square Properties Group, value £500,000; the conversion of St Mark's Church, Hanwell, to form 19 flats for the Northcote Housing Association; two projects for the Royal Borough of Kensington and Chelsea to refurbish changing room facilities and install health suites at the Kensington and Chelsea sports centres. The work at the Kensington sports centre is being carried out as a sub-contract package to Bovis Construction. The company is also to refurbish an existing Nash designed terrace house at Regents Park to form offices for Home Equity Relocation.

CONSTRUCTION CONTRACTS

Crossing London by British Rail

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

RE-OPENING THE Victorian Snow Hill railway tunnel under the heart of the City of London is a key part of British Rail's new strategy of offering an improved service to attract more passengers.

The Snow Hill tunnel will carry an estimated 20,000 passengers a day and will make a new range of journeys possible when it opens in May next year, by providing a link between Farringdon and Blackfriars railway stations, and between the Midland and Southern railway regions.

The most important new route will be the link between Luton airport in the north and Gatwick Airport in the south.

But the tunnel will also make other cross-London trips like the old competing railway policy to have any direct north to south crossings, and the powerful railway regions then acted more like the old competing railway companies in their dislike of having links between them.

New railway regions in an 80 miles radius around London have been grouped together under the banner of Network South East, under the leadership of a new Network head, Mr Chris Green.

The old barriers have been broken down, and the new motto is to try to generate new traffic with new services and a new spending programme.

Re-opening the Snow Hill tunnel will cost £24m — of which the civil engineering works needed will cost only £2m, and the rest will be spent on rolling stock and re-equipping.

Mr David Sparrow, the British Rail civil engineer in charge of re-opening the tunnel—and who was also in charge of closing it down some 17 years ago—is quick to admit that as a civil engineering job it is hardly difficult.

"There are virtually no civil engineering problems at all," he said. "Basically what we have to do is dig out the old foundations of the floor of the tunnel to a new level and put in modern ballast to get the height for modern trains and make the gradients shallower."

The base of the tunnel is being excavated to a depth of between 300mm and one metre to ease the gradient from a slope of one in 30 or 40 to one in 50 and to provide a gentle, evenly sloping bed for the new double track.

Before work could start on the tunnel bed, 2,000 cu metres of rubbish had to be removed, as the 400-metre long disused tunnel had become a tip.

The work is being carried out by the Surrey-based contractor, Farnol of Whyteleafe, and included removing three old cars and one seat—which is now in the Museum of London—from the original Victorian station inside the tunnel.

No new Snow Hill station within the tunnel is yet being built. But British Rail is evaluating plans to sell the little-used Holborn Viaduct station above for office development, and to use the proceeds to build a new station inside the tunnel itself, half way between the two main stations of Farringdon and Blackfriars.

One reason for the civil engineering simplicity of the



project to reopen the tunnel is the excellent state of preservation of the original Victorian structure. No water had percolated through, so no new drainage system or major repair was needed.

Another factor is that Snow Hill was not built as a tunnel but as an open deep-trench railway in 1850, which was subsequently covered by the City buildings—such as Smithfield meat market—over and around it.

"Except for the soot on the tunnel from the steam trains it was in perfect condition," said Mr Sparrow. He is now selling the freshly removed steam-train set to railway fans for 50p a bottle.

JOHN WILLMOTT GROUP has been awarded contracts worth £4.9m. John Willmott has been awarded a contract worth about £2.5m by London Industrial Park for a retail discount centre at Beckton, E8. The company has a contract worth around £1.2m by Ling Dynamic Systems for the erection of a factory and office extension. A contract worth in the region of £900,000 has been placed by Cadogan Estates for alterations, extension and refurbishment at 18 Cadogan Gardens, SW2, to provide high quality office accommodation. A contract worth around £280,000 for the erection of a new roof to an existing building at Cranford Community College, Cranford, Middlesex.

THE WEEK IN THE COURTS

Clash of legal principles over admissibility of evidence

THERE WAS A dramatic clash of legal principles in *Goddard and another v Nationwide Building Society* (Times Law Report, July 2, 1986 and FT Law Report, July 4, 1986).

One of the principles may be described as the doctrine of the supremacy of evidence. It is inherent to the nature of court proceedings.

The outcome of any trial depends on evidence, not on allegations. Without evidence a court case is a travesty. The evidence must be relevant to an issue in the case. It must also be admissible according to the current rules of the law of evidence.

If it is irrelevant or inadmissible, it must be disregarded and excluded. It must not be relevant and otherwise admissible; it must then be taken into account, considered, accepted or rejected.

As long as it is relevant and admissible the court, as a general rule, will not be concerned with the way in which it was obtained or came to light.

When this principle prevails, the confidentiality of a document in itself does not affect admissibility in evidence.

The other principle is in no way inherent to the nature of court proceedings and may be described as the doctrine of the preservation of confidentiality. It arises from various legitimate demands, expectations and needs in several aspects of everyday life, including business and professional dealings.

On occasion, one person may communicate information or opinions to another on the strict understanding that further disclosure is prohibited. Furthermore, a relationship between

two persons, for example between a client and a solicitor, may involve by its very nature, a degree of confidentiality.

There are circumstances in which the courts are prepared to uphold and protect the confidentiality of a communication or a relationship.

When this principle prevails, the confidentiality of a document is neither affected nor diminished by its admissibility in evidence.

How did the clash of principles occur in the *Goddard* case? How did the courts resolve it?

It was a dispute between two house purchasers and a building society about whether a survey report had been prepared negligently.

The building society in its defence relied on the contents of an attendance note made by the house purchasers' solicitor. The note contained details of a conversation between Mr Goddard, one of the purchasers, and his solicitor.

The solicitor, who also acted for the building society, had sent the society a copy of the note when he was aware that the purchasers had issued a writ against the society to claim damages for negligence.

The two purchasers, Mr Goddard and Miss Rose, made two applications to the court. One was for an order to strike out various passages in the building society's defence which relied on the contents of the attendance note. The note was a privileged document.

The other was for an injunction to stop the society using or copying the note and ordering the society to return it and all copies.

Mr Justice Hollings rejected both applications. The Court of Appeal allowed them.

The court conceded that, if a litigant had in his possession copies of privileged documents, he might use them as evidence in his litigation. This was established in *Calcraft v Guest* (1898 1QB 789).

But if he had not yet used the copies in that way, the fact that he intended to do so was no answer to a claim against him to deliver them up or to restrain him from making use of them.

Such a claim depended on the court's equitable jurisdiction applied in such cases as *Lord Ashburton v Pope* (1913 Ch 469). In that case, the court protected the confidential nature of letters between a client and his solicitor in the same way as it would protect an employer's trade secrets against unauthorized use by a former employee after the termination of employment.

In the course of his judgment in the *Goddard* case, Lord Justice Nourse mentioned several points which might help to remove confusion caused by the apparent conflict between the rule of evidence in the *Calcraft* case and the rule of equitable jurisdiction in the *Ashburton* case.

The *Calcraft* rule applied to, and prevailed in, proceedings the purpose of which did not include the protection of confidential communications.

The *Ashburton* rule prevailed over the *Calcraft* rule only in cases in which some legal privilege could be claimed for confidential communication.

The purpose of an injunction in a case to which the *Ashburton* rule applied was to assist a legal privilege. The court

Glaxo tablet production facility

An advanced pharmaceutical tablet production facility is to be designed and built at Ware in Hertfordshire for Glaxo Operations UK by **SHEPHERD CONSTRUCTION** and **SHEPHERD ENGINEERING SERVICES** JOINT VENTURE. Contract value of the project approaches £11.5m.

To be located within Glaxo's factory complex, the tablet production facility has been designed with capacity to meet demands for the future. The facility will comprise a three-storey main production building with a floor area of 10,500 sq metres and a separate services building. Shepherd Construction will carry out the structural work and Shepherd Engineering Services (SES) will be responsible for design and installation of the mechanical and electrical services.

Both buildings will have structural steel frames although the production building will employ an in-situ concrete ground and first floor frame. There will be brickwork up to first floor height with interlocking insulated cladding above this level. All internal finishes to the production building will be to the highest standards demanded by a pharmaceutical production facility. The project is scheduled for completion in April 1988.

This week in Parliament


TUESDAY
Commons: Private members' motions until 7 pm. Debate on the tin industry. Remaining stages of the Latest Dates Bill and the Education Bill.
Lords: Gas Bill (report). Motor Vehicles (Variation of Speed Limit) Regulations. Fuel Competition Act 1971.
Select Committee: Foreign Affairs: Current foreign policy issues. Witnesses: Sir Geoffrey Howe, Foreign Secretary. (Room 15, 3 pm). Treasury and Civil Service: International credit and capital markets. Witnesses: Sir James Honey, Mr Christopher Johnson and Mr Richard O'Brien. (Room 6, 4.45 pm). Foreign Affairs: UK/Russia relations. Witnesses: Mr David Owen, Foreign Secretary. Russian Ambassador and Colonel General M. Charov. (Room 15, 5 pm).

WEDNESDAY
Commons: Finance Bill, progress on remaining stages. Patents Designs and Marks Bill, remaining stages. Debate on EC documents relating to agricultural structures.
Lords: Finance Bill (report).
Select Committee: Channel Tunnel Bill. Petition of East Sussex and West Sussex local authorities. (Room 8, 10.30 am).
Westminster Hall: Grand Committee Room, 10.30 am. Foreign Affairs: Foreign Secretary's statement. Witnesses: Mr Len Abraham, vice-president of the South Africa Foundation. (Room 15, 10.30 am).
Scottish Affairs: Hospital provision. Witnesses: John Laidlaw, Scottish Secretary. (Room 8, 10.30 am).
Home Affairs: Rules for the redistribution of seats. Witnesses: Boundary commissioners for England and Wales. (Room 6, 4.15 pm).
Social Services: Royal College of Nursing. (Room 21, 5 pm).
Committee on a private bill—British Railways (Stanstead) Bill. (Room 5, 10.30 am).

THURSDAY
Commons: European debates related to the European Communities. Remaining stages of the European Communities (Amendment) Bill.
Lords: Public Order Bill. Companies, Docks and Services Bill, third reading. Select Committee: Channel Tunnel Bill. Petitions of East Sussex and West Sussex local authorities. (Westminster Hall Grand Committee Room, 10.30 am).
Agriculture: Effects of pesticides on human health. Witnesses: Poisons Reference Centre; Occupational Health Service; Advisory Committee on Pesticides. (Room 16, 10.45 am).
Committee on a private bill—British Railways (Stanstead) Bill. (Room 5, 10.30 am).

FRIDAY
Commons: Debate on the policing of the Metropolis.
Lords: Financial Services Bill, second reading. Unstarred question on government action to combat illegal problems.

This announcement appears as a matter of record only.



Gulf Canada Corporation

\$650,000,000
Transferable Loan Facility

Arranged By
Chemical Bank International Group

Lead Managed By
BankAmerica Capital Markets Group
Chemical Bank International Group

Managed By
Algemene Bank Nederland N.V.
Bank of Montreal
Commerzbank Aktiengesellschaft
Credit Suisse
Westpac Banking Corporation

Co-Managed By
Banco di Sicilia, New York Branch
Banque Nationale de Paris
Barclays Bank PLC
Christiania Bank og Kreditkasse
The Industrial Bank of Japan (Canada)
Union Bank of Switzerland

Participants
The Tokai Bank, Limited
Banque Indosuez
Fuji Bank Canada
Manufacturers National Bank of Detroit

Agent
Chemical Bank

June 1986

COUNTY NATWEST GILT-EDGED SECURITIES

Market Maker in Bulldog Stocks

- County NatWest Gilts will offer a market making service in bulldog stocks to investors from 7 July 1986.
- County NatWest Gilts is already a gilt-edged and fixed interest stockbroker, and will become a primary dealer in the restructured gilts market.
- County NatWest Gilts brings the strength of the NatWest Investment Bank group to the sterling fixed interest markets, drawing on the skills and experience of Fielding, Newson-Smith.

BULLDOGS	CONTACT	TELEPHONE
Salesmen	Jim Mills Graham Leach Michael Sibbering	01-638 2351
Market Makers	Neil Langley Michael Pafford	

Reuters Page CNWG

County NatWest Gilt-Edged Securities Limited
1-2 Finsbury Square, London EC2A 1AA. Telephone 01-628 7799

© The NatWest Investment Bank Group

FT UNIT TRUST INFORMATION SERVICE

EQUITIES

Table of recent equity issues with columns for Name, Issue Date, Price Range, and Yield. Includes titles like 'Financial Times', 'Financial Times', etc.

FIXED INTEREST STOCKS

Table of fixed interest stocks with columns for Name, Issue Date, Price Range, and Yield. Includes titles like 'Financial Times', 'Financial Times', etc.

"RIGHTS" OFFERS

Table of 'Rights' offers with columns for Name, Issue Date, Price Range, and Yield. Includes titles like 'Financial Times', 'Financial Times', etc.

AUTHORISED UNIT TRUSTS

Large table of authorised unit trusts with columns for Name, Issue Date, Price Range, and Yield. Includes titles like 'Financial Times', 'Financial Times', etc.

Table of unit trusts with columns for Name, Issue Date, Price Range, and Yield. Includes titles like 'Financial Times', 'Financial Times', etc.

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Table of unit trusts with columns for Name, Issue Date, Price Range, and Yield. Includes titles like 'Financial Times', 'Financial Times', etc.

Can Europe catch up?
A bound reprint of a series of articles "Can Europe catch up?" and "Towards a Free Trade Community..." previously published in the Financial Times during 1985 is now available at the price of £3.50 including postage and packing.
To place your order please send a cheque (payable to Financial Times Ltd) to:
Publicity Department
Brackley House, 18 Cannon Street
London, EC4A 3DF
F.T. CROSSWORD PUZZLE NO. 6066
HIGHLANDER
ACROSS
1 Pint to get rid of first man to work (6)
2 What leading location is turning over? (5)
3 Complain about would-be storer (4)
4 Where Uncle makes his puppets dance? (8)
5 With everything included there's nothing lost (3,5)
6 Italian chocolate with ice-cream (10)
7 Part of speech indistinct from language (5)
8 Defended like careful batsman and plodded (6)
9 Yarn only gets tangled on top of needle (5)
10 Little characters scamper about the avenue (6,5)
11 Can be said to be thorough and competent (8)
12 After a poor set there's danger for the star (8)
13 At end of it they wake up in meo's clothing (8)
14 Writer goes down both sides of street looking for restaurant (6)
15 On the cards one will accept union badge? That's clever (5)
16 Lady chemist introduced indine into healing process (5)
17 Not in favour of a tin building (4)
18 The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.
DOWN
1 Grandfather clock? (3-5)

AUTHORISED UNIT TRUSTS & INSURANCES

Table listing various insurance and unit trust products, including 'Wardley Unit Trust Managers Ltd (a)', 'Common Assurance Ltd-Continued', and 'Wardley Asset Management Ltd (a) (b)'. Columns include company names, addresses, and financial data.

Table listing insurance and unit trust products, including 'Eagle Star Insurance Co Ltd', 'Equitable Life Assurance Society', 'Handerson Administration Ltd', and 'Hill Samuel Life Assur. Ltd'. Columns include company names, addresses, and financial data.

Table listing insurance and unit trust products, including 'London & Manchester Group', 'National Mutual of Australia', 'National Provincial Institution', and 'N & G Group'. Columns include company names, addresses, and financial data.

Table listing insurance and unit trust products, including 'Provident Mutual Life Ass. Assn.', 'Sare & Prosper Group', 'Schroder Life Assurance Ltd', and 'Scottish Amicable Investments'. Columns include company names, addresses, and financial data.

Handwritten notes and signatures at the bottom of the page, including 'Spill no 110' and other illegible markings.

BRITISH FUNDS

Table of British Funds with columns for Name, Price, Last, Div, Yield, and % Chg. Includes sections for 'Shorts' (10 to 5 years), 'Five to Fifteen Years', and 'Over Fifteen Years'.

UNDATED

Table of undated funds with columns for Name, Price, Last, Div, Yield, and % Chg.

INDEX-LINKED

Table of index-linked funds with columns for Name, Price, Last, Div, Yield, and % Chg.

INT. BANK AND O/S'S

Table of international bank and overseas funds with columns for Name, Price, Last, Div, Yield, and % Chg.

GOVT. STERLING ISSUES

Table of government sterling issues with columns for Name, Price, Last, Div, Yield, and % Chg.

CORPORATION LOANS

Table of corporation loans with columns for Name, Price, Last, Div, Yield, and % Chg.

COMMONWEALTH & AFRICAN LOANS

Table of commonwealth and African loans with columns for Name, Price, Last, Div, Yield, and % Chg.

LOANS

Table of general loans with columns for Name, Price, Last, Div, Yield, and % Chg.

Public Board and Ind.

Table of public board and industrial funds with columns for Name, Price, Last, Div, Yield, and % Chg.

Financial

Table of financial funds with columns for Name, Price, Last, Div, Yield, and % Chg.

FOREIGN BONDS & RAIS

Table of foreign bonds and rais with columns for Name, Price, Last, Div, Yield, and % Chg.

AMERICANS - Cont.

Table of American funds with columns for Name, Price, Last, Div, Yield, and % Chg.

CANADIANS

Table of Canadian funds with columns for Name, Price, Last, Div, Yield, and % Chg.

BANKS, HP & LEASING

Table of banks, hire purchase, and leasing funds with columns for Name, Price, Last, Div, Yield, and % Chg.

DRAPERY AND STORES - Cont.

Table of drapery and stores companies with columns for Name, Price, Last, Div, Yield, and % Chg.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont.

Table of building, timber, and roads companies with columns for Name, Price, Last, Div, Yield, and % Chg.

DRAPERY & STORES - Cont.

Table of drapery and stores companies with columns for Name, Price, Last, Div, Yield, and % Chg.

ELECTRICALS

Table of electrical companies with columns for Name, Price, Last, Div, Yield, and % Chg.

CHEMICALS, PLASTICS

Table of chemical and plastic companies with columns for Name, Price, Last, Div, Yield, and % Chg.

DRAPERY AND STORES - Cont.

Table of drapery and stores companies with columns for Name, Price, Last, Div, Yield, and % Chg.

DRAPERY AND STORES - Cont.

Table of drapery and stores companies with columns for Name, Price, Last, Div, Yield, and % Chg.

BEERS, WINES & SPIRITS

Table of beer, wine, and spirit companies with columns for Name, Price, Last, Div, Yield, and % Chg.

BUILDING, TIMBER, ROADS

Table of building, timber, and roads companies with columns for Name, Price, Last, Div, Yield, and % Chg.

ENGINEERING - Continued

Table of engineering companies with columns for Name, Price, Last, Div, Yield, and % Chg.

INDUSTRIALS - Continued

Table of industrial companies with columns for Name, Price, Last, Div, Yield, and % Chg.

FOOD, GROCERIES ETC.

Table of food, grocery, and other companies with columns for Name, Price, Last, Div, Yield, and % Chg.

HOTELS AND CATERERS

Table of hotel and catering companies with columns for Name, Price, Last, Div, Yield, and % Chg.

INDUSTRIALS (Miscel.)

Table of miscellaneous industrial companies with columns for Name, Price, Last, Div, Yield, and % Chg.

Handwritten text at the bottom of the page, possibly a signature or note.

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Financial Times Monday July 7 1986

INDUSTRIALS—Continued

Table of industrial stock prices including companies like British Airways, British Petroleum, and British Telecom.

LEISURE—Continued

Table of leisure stock prices including companies like British Airways, British Petroleum, and British Telecom.

PROPERTY—Continued

Table of property stock prices including companies like British Airways, British Petroleum, and British Telecom.

INVESTMENT TRUSTS—Cont.

Table of investment trust stock prices including companies like British Airways, British Petroleum, and British Telecom.

FINANCE, LAND—Cont.

Table of finance and land stock prices including companies like British Airways, British Petroleum, and British Telecom.

MINES—Continued

Table of mining stock prices including companies like British Airways, British Petroleum, and British Telecom.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stock prices including companies like British Airways, British Petroleum, and British Telecom.

Commercial Vehicles

Table of commercial vehicle stock prices including companies like British Airways, British Petroleum, and British Telecom.

Components

Table of component stock prices including companies like British Airways, British Petroleum, and British Telecom.

Oil and Gas

Table of oil and gas stock prices including companies like British Airways, British Petroleum, and British Telecom.

Australians

Table of Australian stock prices including companies like British Airways, British Petroleum, and British Telecom.

Miscellaneous

Table of miscellaneous stock prices including companies like British Airways, British Petroleum, and British Telecom.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stock prices including companies like British Airways, British Petroleum, and British Telecom.

SHIPPING

Table of shipping stock prices including companies like British Airways, British Petroleum, and British Telecom.

SHIRTS AND LEATHER

Table of shirts and leather stock prices including companies like British Airways, British Petroleum, and British Telecom.

SOUTH AFRICANS

Table of South African stock prices including companies like British Airways, British Petroleum, and British Telecom.

TEXILES

Table of textile stock prices including companies like British Airways, British Petroleum, and British Telecom.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stock prices including companies like British Airways, British Petroleum, and British Telecom.

INSURANCE

Table of insurance stock prices including companies like British Airways, British Petroleum, and British Telecom.

PRIP

Table of PRIP stock prices including companies like British Airways, British Petroleum, and British Telecom.

TRUSTS, FINANCE, LAND

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FINANCE, LAND, etc.

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PLANTATIONS

Table of plantation stock prices including companies like British Airways, British Petroleum, and British Telecom.

OVERSEAS TRADERS

Table of overseas trader stock prices including companies like British Airways, British Petroleum, and British Telecom.

LEISURE

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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

July 8-10 International Satellite and Cable TV Exhibition and Conference - CABLE (01-988 4486) Met. Exn. Hall, Brighton...

OVERSEAS TRADE FAIRS

July 7-11 International Powder Metallurgy Exhibition and Conference (01-493 3883) Dusseldorf...

BUSINESS AND MANAGEMENT CONFERENCES

July 7-9 City Financial Conference: The 1986 Insurance Information Exchange (01-232 5275) Connaught Rooms, WC2...

APPOINTMENTS

Glaxo research executive

Dr Richard B. Sykes has been appointed deputy chief executive of Glaxo Group Research, GLAXO HOLDINGS UK-based research subsidiary...

Mr G. Douglas Fairweather has been appointed to the board of CANOVER INVESTMENTS as an executive director...

Divisional post at Bayer UK

Mr Dieter Looschen has been appointed chief executive of the Bayer UK agrochem division...

Mr Gordon Sanders has been appointed chairman, Mr Graham Fox managing director and Mr Tom White, Mr Anthony Hoare and Mr Geoffrey Little directors...

BARR AND WALLACE ARNOLD TRUST PLC

Results for 1985

Table with 2 columns: 1985 and 1984. Rows include Summary of Results, Group Turnover, Divisional Profits, Profit Before Tax, etc.

NOTICE OF REDEMPTION

HUDSON'S BAY COMPANY

17% Notes due 1989

NOTICE IS HEREBY GIVEN that Hudson's Bay Company intends to redeem and hereby calls for redemption on August 7, 1986 all of its 17% Notes due 1989...

Orion Royal Bank Limited, 1 London Wall, London EC2Y 5JX, England

- List of agents for Hudson's Bay Company notes, including The Royal Bank of Canada, The Royal Bank of Belgium, etc.

The amount of any missing unmatured coupon (Cdn.\$170.00) will be deducted from this redemption price...

June 30, 1986

Hudson's Bay Company

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week...

COMPANY MEETINGS: Monday July 7, Tuesday July 8, Wednesday July 9, Thursday July 10, Friday July 11...

The Shield Group plc advertisement including share capital details, authorized shares, and contact information for Capel-Cure Myers.

Commonwealth Bank of Australia advertisement for A\$75,000,000 12 7/8% Notes Due 1990, including terms and conditions.

Granville & Co. Limited

Table of stock market data for Granville & Co. Limited, listing various companies and their performance metrics.

Hapoalim International N.V. advertisement for U.S. \$50,000,000 Guaranteed Floating Rate Notes 1987.

Orion Royal Bank Limited advertisement listing various financial institutions and their services.

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WORLD STOCK MARKETS

AUSTRIA 1986 High Low July 4 Price Frs. 8,850 8,800 Creditinstk pp 2,800

1986 High Low July 4 Price Frs. 3,500 3,480 Belg. Int. Lux. 13,800

1986 High Low July 4 Price Frs. 494 518 Andelbank 377

1986 High Low July 4 Price Frs. 1,630 1,478 Empirunt 438 1,558

1986 High Low July 4 Price Frs. 2,500 2,480 Lagardere 1,300

1986 High Low July 4 Price Frs. 7,000 4,450 Adia Int. 7,000

1986 High Low July 4 Price Frs. 14,000 10,000 Roche 11,000

1986 High Low July 4 Price Frs. 1,000 900 Roche 1,000

HONG KONG 1986 High Low July 4 Price HK\$. 18 17.9 Bank East Asia 17.8

1986 High Low July 4 Price HK\$. 1.00 0.98 AIG Int. 0.98

1986 High Low July 4 Price HK\$. 1.00 0.98 AIG Int. 0.98

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JAPAN 1986 High Low July 4 Price Yen. 1,270 1,230 Ajinomoto 1,270

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1986 High Low July 4 Price Yen. 1,270 1,230 Ajinomoto 1,270

CANADA

TORONTO Closing prices July 4

1986 High Low Close Change. 3355 AMCA Int 151.5 151.5

Wall Street was closed on Friday, Independence Day.

1986 High Low Close Change. 1560 Ontario 328.5 328.5

MONTREAL Closing prices July 4

1986 High Low Close Change. 31859 Bank Mon 323 323

CANADA

TORONTO Closing prices July 4

1986 High Low Close Change. 3355 AMCA Int 151.5 151.5

Wall Street was closed on Friday, Independence Day.

1986 High Low Close Change. 1560 Ontario 328.5 328.5

MONTREAL Closing prices July 4

1986 High Low Close Change. 31859 Bank Mon 323 323

World Aerospace to the End of the Century, the next conference in this now famous series, is to be held in London on 26, 27 & 28 August 1986 just before the Farnborough International Air Show.

World Aerospace to the End of the Century. Speakers will include: Richard Albrecht...Günter Eser... Jean Pierson...Colin Marshall...

Special Subscription HAND DELIVERY SERVICE of the FINANCIAL TIMES in OSLO & STAVANGER

Indices

1986 High Low July 4 Price. AUSTRALIA All Ord. (11/80) 1148.7

1986 High Low July 4 Price. BELGIUM All Ord. (11/80) 2762.82

World Aerospace to the End of the Century

Please send me full details of the World Aerospace to the End of the Century conference.

FT A Financial Times International Conference. Special Subscription HAND DELIVERY SERVICE of the FINANCIAL TIMES in OSLO & STAVANGER

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Economic slowdown hits dollar

BY COLIN MILLHAM

Prospects for the dollar appeared to be rather depressing last week. The US currency fell below DM 2.30, and threatened Y160, as economic figures continued to point towards lower interest rates...

£ IN NEW YORK

Table with columns: July 3, Close, Prev. Close. Rows for C Spot, 1 month, 3 months, 6 months, 12 months.

Otto Poehl, president of the Bundesbank, said there was no need to revise the money supply target range of 3.5-5.5 per cent. Growth touched 9 per cent earlier this year...

Last week the Bank of Japan spent \$3bn to \$5bn in trying to prevent the dollar falling below Y160 against the yen. The Japanese election, and only just achieved its goal...

CURRENCY MOVEMENTS

Table showing currency movements for July 4. Columns: Bank of England, Morgan Guaranty, etc. Rows for various currencies like Sterling, US Dollar, etc.

POUND SPOT - FORWARD AGAINST POUND

Table showing pound spot and forward rates against the pound for July 4. Columns: Day's spread, Close, One month, etc.

FORWARD RATES AGAINST STERLING

Table showing forward rates against sterling for July 4. Columns: Spot, 1-month, 3-month, 6-month, 12-month.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European currency unit rates for July 4. Columns: Currency, % change, % change adjusted for divergence.

MONEY MARKETS

Bank looks for stability

Interest rates were firmer on the London money market last week. Three-month interbank rates rose to 9 1/2-10 per cent, from 9 1/8-9 3/4 per cent...

WEEKLY CHANGE IN WORLD INTEREST RATES

Table showing weekly change in world interest rates for July 4. Columns: Location, Rate, Change.

MONEY RATES

Table showing money rates for July 4. Columns: Location, Rate, Change.

CURRENCY RATES

Table showing currency rates for July 4. Columns: Bank, Special rate, European rate, etc.

DOLLAR SPOT - FORWARD AGAINST DOLLAR

Table showing dollar spot and forward rates against the dollar for July 4. Columns: Day's spread, Close, One month, etc.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for July 4. Columns: Currency, Term, Rate.

NEW YORK RATES

Table showing New York rates for July 3. Columns: Prime rate, Broker loan rate, Fed funds, etc.

BANK OF ENGLAND TREASURY BILL TENDER

Table showing Bank of England Treasury Bill tender details for July 4 and June 07.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing for July 4. Columns: Three months US dollars, bid 0 1/4, offer 0 1/2.

LONDON MONEY RATES

Table showing London money rates for July 4. Columns: Interbank, Treasury Bills, etc.

LIFFE LONG GILT FUTURES OPTIONS

Table showing Liffe Long Gilt futures options for July 4. Columns: Strike, Price, etc.

LIFFE US TREASURY BOND FUTURES OPTIONS

Table showing Liffe US Treasury Bond futures options for July 4. Columns: Strike, Price, etc.

LIFFE 2 1/2% OPTIONS

Table showing Liffe 2 1/2% options for July 4. Columns: Strike, Price, etc.

LIFFE 5% OPTIONS

Table showing Liffe 5% options for July 4. Columns: Strike, Price, etc.

LIFFE EURO-DOLLAR OPTIONS

Table showing Liffe Euro-Dollar options for July 4. Columns: Strike, Price, etc.

THREE-MONTH EURO-DOLLAR

Table showing three-month Euro-Dollar rates for July 4. Columns: Close, High, Low, etc.

CHICAGO

Table showing Chicago market data for July 4. Columns: US Treasury Bonds, etc.

EXCHANGE CROSS RATES

Table showing exchange cross rates for July 4. Columns: Currency, Rate.

BULLDOGS Our market making service begins on July 31st. Trading 01-621 1091 STX 5987/8. Sales 01-623 8000 ext 41102/3/4 STX 3283.

The third FT City Seminar Merchant Taylors' Hall, City of London 13 & 14 October 1986. For information please return this advertisement...

Automobiles PEUGEOT French Francs 1,000,000,000 8 per cent Bonds due 1996. Issue Price: 100 per cent. Banque Nationale de Paris.

Algemeine Bank Nederland N.V. Barclays Merchant Bank Limited. Caisse des Dépôts et Consignations. Credit Agricole. Credit Commercial de France.

Spillio LTD